
ANNUAL REPORT 2014

*We have made
good progress*

KUNGSLEDEN

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ON THE PATH TOWARDS A NEW KUNGSLEDEN

In 2013 Kungsleden launched a new strategy with a focus on long-term ownership, active management, improving and developing commercial properties in growth regions in the office, industrial/warehouse and retail segments. The implementation of the strategy has been successful in 2014. Several goals have been achieved a lot faster than expected - and the journey continues.

The formal annual report covers Pages 14-69.

Figures in brackets refer to the previous year unless otherwise stated.

The figures in this annual report exclude Nordic Modular throughout, unless otherwise specified.

NEW KUNGSLEDEN

- A long-term property owner with active management and property development
- A larger, more concentrated and higher quality property portfolio
- Three property segments with offices at the forefront in selected regions with good growth and demand for premises
- Clustered properties provide operational and economic benefits
- Focus on total return and long-term value creation
- Continued efforts to ensure satisfied customers, employees and shareholders



THE YEAR IN BRIEF

- Rental revenue grew by 31 per cent to SEK 2,193 million compared with 2013
- Profits from property management rose by 66 per cent to SEK 730 million
- Property sales totalled SEK 2,601 million, and property was acquired worth SEK 2,666 million
- Property values grew by SEK 1,003 million, of which SEK 186 million were realised gains
- An adverse tax ruling burdened earnings and capital by SEK 1,640 million. The entire tax payment has been made
- The sale of 65 per cent of NMG freed up SEK 700 million for property acquisitions
- A rights issue of SEK 1,568 million boosted the company's equity
- The organisation was strengthened in all departments

Q1



In total properties were sold for SEK 500 million

Q2



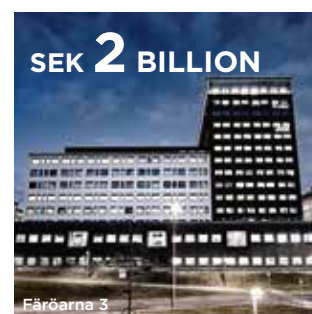
Divestments of SEK 1.7 billion were made, which included sale of the Norrland portfolio to NP3

Q3



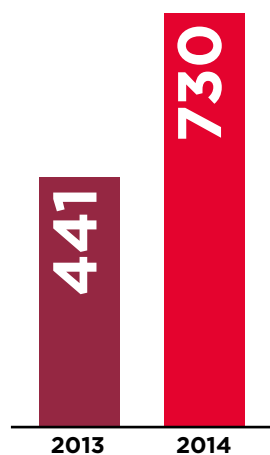
Extraordinary general meeting decides on rights issue of SEK 1.6 billion

Q4

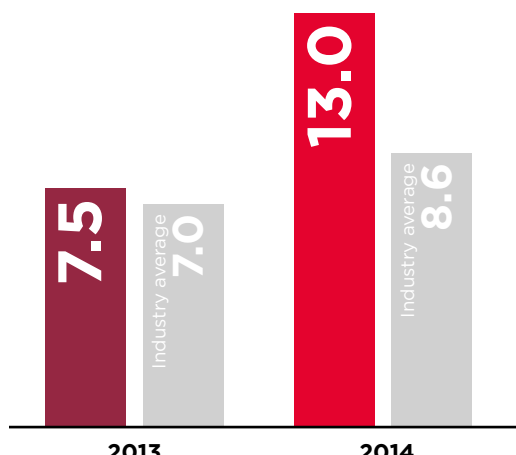


Acquisition of Kista office portfolio for SEK 2 billion, which includes prestigious Kista One

PROFITS FROM PROPERTY MANAGEMENT, SEK M



TOTAL RETURN FOR THE PROPERTY PORTFOLIO AS PER IPD PROPERTY INDEX, %



KUNGSLEDEN GETS GOLD STAR

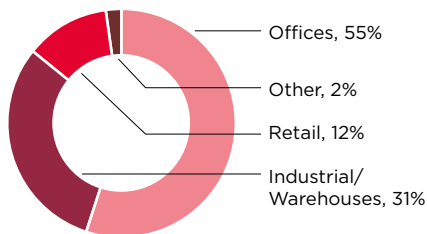
Kungsleden is one of five companies recognised in the AllBright Foundation's annual report of listed companies excelling in the area of equal opportunity. With gender equality in its Board and management team, Kungsleden earns a gold star from AllBright, with a seventh place ranking in this year's list.

KUNGSLEDEN IN ONE MINUTE

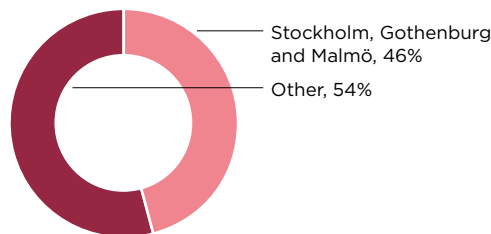
Kungsleden is a listed property company active in Sweden with a focus on long-term ownership, active management, improving and developing commercial properties in growth regions and delivering an attractive total return over time. We offer appealing and functional premises in the right locations at the right price for office, industrial/warehouse and retail.

Kungsleden's property portfolio at 31 December 2014 consisted of 305 properties located in Greater Stockholm, Greater Gothenburg, Mälardalen and Southwestern Sweden along with a number of growth areas in the rest of Sweden. With a wide offering, good knowledge of the area and close proximity to our customers, we are able to meet the property leasing needs of our customers and can quickly offer new solutions when needs change.

PROPERTY PORTFOLIO BY SEGMENT, BOOK VALUE SEK 19,612 MILLION¹



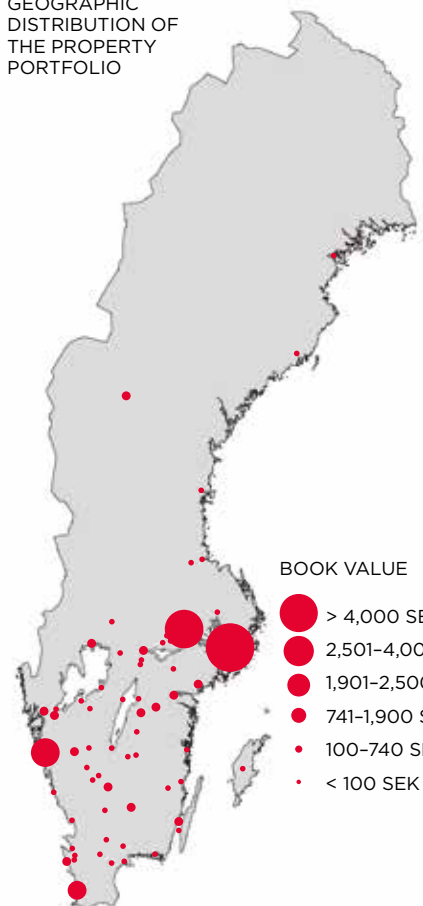
PROPERTY PORTFOLIO - URBAN CONCENTRATION, BOOK VALUE SEK 19,612 MILLION¹



1. Not including property used in business operations, modular buildings or the Kista office portfolio.



GEOGRAPHIC DISTRIBUTION OF THE PROPERTY PORTFOLIO



AREAS OF ACTIVITY



MANAGEMENT

Our own managers and rental providers build long-term relationships with our customers based on knowledge, dialogue and customer understanding. We ensure that the properties maintain a high quality and offer attractive space solutions.

TRANSACTION AND ANALYSIS

We are continually working on optimising and refining our property portfolio by divesting non-strategic properties and acquiring properties in accordance with our strategy. The basis for this work is detailed analysis and a solid market presence.

DEVELOPMENT

Our development activities grow the value of our portfolio by developing existing properties, along with land and development rights. The work is being driven in three stages: property and project development, project leasing and project implementation.

WE HAVE MADE GOOD PROGRESS

Question: How has Kungsliden changed over the years?

Answer: We have a clear strategy and a plan for where Kungsliden will be in two to three years. The main thing this year is that we have come a long way in the restructuring of our property portfolio in accordance with the new strategy Kungsliden adopted in 2013. During the year we have successfully bought and sold properties for over SEK 5 billion. That's an impressive achievement.

Question: What is the common theme to the change in the portfolio?

Answer: A key emphasis is on creating what we call "property clusters", i.e. areas where Kungsliden has such a strong local position that we are able to influence and drive the development of the whole area. Another fundamental idea of the strategy is to concentrate the portfolio on geographic areas with good growth. In addition, we have identified a number of selected micro locations where we expect demand for modern, efficient offices to be particularly strong.

Question: How does Kungsliden work with its cluster strategy?

Answer: We take a long-term holistic approach where we try to make the whole area more attractive, for example, by improving services, retail and communications. We also put a lot of effort into profiling and marketing both throughout the area and for individual properties as a way of attracting the right target group. When

we have succeeded in making a whole area more attractive, the trend for rent levels improves and the vacancy rate falls. In Danderyd, for example, we have reduced the vacancy rate from ten to five per cent in one year. A well-maintained cluster also earns a lower yield requirement as there is higher stability and growth in operating net.

Question: Tell us about Kista Science City, Kungsliden's recent major acquisition.

Answer: The acquisition of the Kista portfolio for SEK 2 billion was our biggest since the purchase of the GE portfolio. As a result, we are now a major property owner in one of Sweden's most important office markets. The potential for improvement is great, both thanks to Kungsliden's working methods but also to the fact that Kista Science City is growing and developing.

Question: Is the reshaping of the Kungsliden's property portfolio complete?

Answer: The optimisation of a portfolio is never complete. It is always work in progress. With that said, I am happy that we, subsequent to the Kista acquisition, surpassed our goal of 50 per cent of the portfolio being based in the metropolitan regions of Stockholm, Gothenburg and Malmö.

Question: What do you think about the transaction market and competition for acquisitions in the future?

Answer: 2014 was a strong year and many analysts believe that 2015 will be equally strong. But obviously, there is usually competition for good properties. But we are sticking to our plan and are actively looking for situations where we can have an exclusive dialogue with the seller. We have a good pipeline and one of our top priorities this year is to implement a number of acquisitions that mirror our high standards. Our goal is that each transaction will lead to both the buyer and seller feeling satisfied.

Question: How do you think the financial market will evolve?

Answer: The availability of credit is good, and we currently can't see any reason to worry. For Kungsliden, there is a significant potential for reducing financing costs. We will see clear results here in 2015. However, I would not like to speculate on what will happen with interest rates in the future.

Question: What do you think about the rate of vacancies?

Answer: There has been relatively little construction activity in Sweden with increasing employment rates, which means that the balance between supply and demand is relatively favourable. For Kungsliden's part, we have good evidence that the occupancy rate can be raised further by having well-managed portfolios in growth areas.

“It has been an eventful year for Kungsleden and today we are a completely different company. With positive annual results, we are now ready to take the next step.”



Question: To what extent will we see rents rising in the future?

Answer: The demand for modern offices is good in the growth areas that we are focusing on. In the long term, this may be reflected in rental trends.

Question: What is the current situation with Kungsleden's tax processes?

Answer: All that remains is one process and we expect a final ruling in 2015. Whatever the outcome is, we see great benefits in that the attention given to the tax issue can soon be directed fully towards our business operations.

Question: How is the organisation developing?

Answer: We are working on establishing clearly-defined processes and identifying “best practices”. This increases both the quality and effectiveness of our work. We also have a very clear business plan which is broken down at an individual level where each employee has stated goals, both quantitative and qualitative. Another example is that we give our property managers a greater and more important role. Property managers are given a “CEO's responsibility” for their properties, where revenue, expenses and value changes are measured.

Question: How would you describe Kungsleden's performance in 2014?

Answer: We had a strong year, which is reflected in our financial results. For example, total profits from property management rose by some 65 per cent to SEK 730 million, while profit before tax grew by 40 per cent to SEK 1,306 million. Our financial position also improved. Kungsleden currently has a record-low LTV ratio of 58 per cent.

Question: What have you been particularly pleased with over the past year?

Answer: I am very pleased and impressed by our organisation. Our employees have completed a large number of property transactions and delivered continuous improvements in management, operating net and net financial items. I would like to extend a big thank you to each and every Kungsleden employee for the past year. I am also very pleased that we have won the confidence of our shareholders, as demonstrated by the success of the rights issue, which has given us the resources for achieving our long-term goals.

Question: How will 2015 turn out for Kungsleden?

Answer: We will, as alluded to earlier, be putting a lot of focus on acquisitions and on lowering our financing costs. But equally important is to continue to improve our operating net. We will achieve this by being close to our customers, profiling and devel-

oping our properties and working long-term to raise the attractiveness of our areas.

Question: When will you reach the Kungsleden milestone of having a property portfolio worth SEK 25 billion?

Answer: It all depends on the type of transactions we are successful in carrying out. We have a good pipeline, but we will not compromise on our quality standards.

Question: What do you see in the longer term?

Answer: I see great potential for Kungsleden. We will steer a steady course in order to achieve a profit before tax of SEK 1.0–1.2 billion in 2017. In the longer term, we will grow our property portfolio to SEK 30 billion. Our ambition in pursuing that path is to be the best commercial property owner in the regions and localities where we operate.

A handwritten signature in black ink, appearing to read 'Biljana Pehrsson'.

Stockholm, 17 March 2015
Biljana Pehrsson,
CEO



BUSINESS CONCEPT

Kungsleden's business concept is to long-term own, actively manage, improve and develop commercial properties in growth regions in Sweden and deliver attractive total returns.

CUSTOMER OFFERING

Kungsleden will provide attractive and functional premises in the right locations at the right price.

LONG-TERM GOAL

*Kungsleden will be Sweden's
most profitable and successful
property company.*



WE DO WHAT WE SAY

In 2014, efforts intensified on implementing Kungsliden's new strategy. New ambitious goals were set for earnings and the structure of the property portfolio. The portfolio underwent extensive improvement in favour of selected property segments and reduced geographical locations. The business model and strategy has worked, which was demonstrated by Kungsliden's success in achieving all of its goals for 2014.

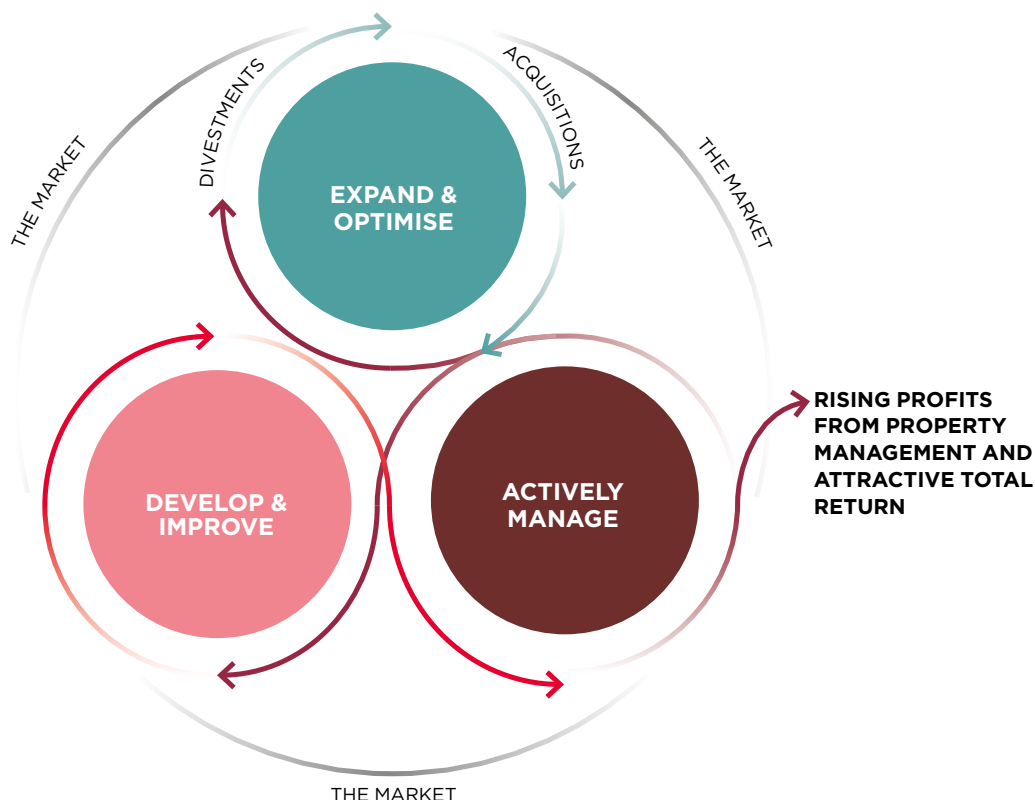
BUSINESS MODEL - HOW WE CREATE VALUE

We create long-term value for shareholders and customers alike through active management, and by improving and developing our properties. Our business areas of Property Management, Transaction & Analysis, and Development interact when we actively manage our property portfolio, expand and optimise the portfolio and improve

and develop individual properties. In this way we ensure that we have high quality properties in locations where the demand for premises is strong. This synergy between our business areas is crucial if we are to achieve an attractive total return for the property portfolio and ultimately a good return for our shareholders.

EXPAND AND OPTIMISE

The Transaction Department is continually working to analyse and optimise the property portfolio in line with our strategy. This is done through the sale of non-strategic properties and the acquisition of strategic properties, both by segment and region.



DEVELOP AND IMPROVE

The prerequisite for successful management is showcasing the full potential and value of your property portfolio. Our development activities work on creating value by changing the use or layout of the properties and developing vacant land and development rights.

ACTIVE MANAGEMENT

The foundation of our business is to actively manage our properties and have a long-term and close dialogue with our customers. Our talented and locally based managers and rental providers are responsive and flexible, always working to achieve customer satisfaction. A high-quality property portfolio meets the demand from existing and potential tenants, is managed efficiently and therefore tends to have good value development.

OPERATIONAL GOALS FOR 2014

GOALS 50%	GOAL DESCRIPTION The office segment will account for at least half of the property value in the Group	OUTCOME 2014 55%	STATUS ON GOAL ACHIEVEMENT As of 31 December 2014, 55 per cent of portfolio value was attributable to the office segment ✓
GOALS 50%	GOAL DESCRIPTION Metropolitan regions will represent at least half of the property portfolio	OUTCOME 2014 46%	STATUS ON GOAL ACHIEVEMENT At year-end, Stockholm, Gothenburg and Malmö (according to Statistics Sweden's definition) accounted for 46 per cent of the portfolio value. We reach 52 per cent subsequent to the Kista acquisition, which closed in March 2015 ✓
GOAL 1.5 BN	GOAL DESCRIPTION Sales of at least SEK 1–1.5 billion at a profit will be achieved in 2014	OUTCOME 2014 2.6 BN	STATUS ON GOAL ACHIEVEMENT In total in 2014, non-strategic properties of SEK 2,601 million were sold. The realised gains totalled SEK 186 million ✓
GOAL 1.5 BN	MISSION STATEMENT Acquisition of strategic properties for SEK 1.5 billion will take place in 2014	OUTCOME 2014 2.7 BN	GOAL DESCRIPTION In total in 2014, strategic properties worth SEK 2,666 million (including the Kista acquisition) were acquired ✓

FINANCIAL GOALS AND OUTCOMES IN 2014

Goal for equity ratio > 30%	Return on equity 10–12%	Loan-to-value (LTV) ratio, new loans 60–65%
40%	10%¹	58%

OPERATIONAL GOALS FOR 2017

GOAL 70	GOAL DESCRIPTION Kungsliden's geographic distribution will be reduced from 141 municipalities to fewer than 70 municipalities	OUTCOME 2014 91	STATUS ON GOAL ACHIEVEMENT Thanks to the sale of non-strategic properties in 2014 the number of municipalities fell to 91
GOAL 25 BN	GOAL DESCRIPTION The total property value in 2017 will be at least SEK 25 billion	OUTCOME 2014 19.6 BN	STATUS ON GOAL ACHIEVEMENT As of December, the total value of the property portfolio was SEK 19.6 billion
GOAL 1.0–1.2 BN	GOAL DESCRIPTION Kungsliden's profit before tax will be at least SEK 1.0–1.2 billion in 2017	OUTCOME 2014 1.3 BN	STATUS ON GOAL ACHIEVEMENT Net profit before tax in 2014 was SEK 1.3 billion

1. Excludes provisions for tax rulings of about SEK 1,640 million. Including the provision, the return on equity is negative for 2014.

Example: Kista acquisition

Proof of successful transaction work

In late autumn 2014, we conducted our largest acquisition of the year through the purchase of four modern office buildings in Kista Science City encompassing an area of 73,000 square meters. Access to three of those properties occurred in March 2015. The flagship of the portfolio is the property Kista One that lies along the Kista Alley right next to the Kista Galleria shopping centre. The acquisition strengthens our presence in Kista and currently has a total area of 100,000 square meters, making Kungsleden the third largest property owner in the area.

Kista was selected as a result of a comprehensive strategic analysis that forms the basis for our transaction team's active efforts to achieve the optimum property portfolio by buying and selling properties. The Kista portfolio fits well into our new strategy where we plan to own properties of high-quality in growth areas with a positive demand for premises.

Efforts to restructure and optimise our portfolio is a continuous process. Through a close dialogue with the market, we evaluate quality properties in good locations in key segments. In the same way, we review our existing portfolio to identify and sell properties that do not meet the requirements our strategy calls for.

TOTAL AREA, SQ. M.

100,000



Färöarna 3

“We know exactly what kind of properties we are looking for. When we find them, we are able to act quickly.”

Ylva Sarby Westman, Head of Transactions

“Because Stockholm is one of Kungsleden’s most important markets we are particularly pleased that we are now adding modern office properties to our portfolio.”

Sven Stork, Regional Manager Stockholm

Färöarna 3

**THIRD
LARGEST
PROPERTY
OWNER**

Färöarna 3

Färöarna 3

SEGMENT

OFFICE



NEW CONDITIONS BEHIND NEW STRATEGY

Since the company was founded, Kungsleden has focused on property transactions where the business concept was to buy properties with the aim of reselling within a short time frame. With the new strategy, we will own, manage, improve and develop properties over long periods.

The Board and management have worked intensively on Kungsleden's strategy in 2012. The results were presented in early 2013 and formed the new business model and strategy that we are now working from. Today, Kungsleden is a property company that owns, actively manages, improves and develops a portfolio concentrated in selected property segments and growth regions with a good demand for premises. The transition has been huge and demanding but the outcome in 2014 has shown that we are on the right track.

WHAT ARE THE TRENDS SUPPORTING THE STRATEGY?

- Accelerating urbanisation is boosting the metropolitan regions
- Growth in services is leading to an increased demand for office space
- Higher requirements on service and customer understanding
- Customer needs for rapid changes to premises are rising
- The demand for flexible space solutions and efficient properties fuelled by companies needing to quickly scale operations up or down
- Increased demands on availability and functionality among customers

URBANISATION - A SIGNIFICANT TREND

People have always been attracted to cities. As new areas were discovered and industrialism streamlined operations such as farming, people started moving to cities to find work. Today, there is a trend of people moving from smaller towns to big cities - areas where we are concentrating our portfolio.

The driving force is primarily technological development, which is moving jobs from industrial enterprises to knowledge and other types of service companies. In our three major cities of Stockholm, Gothenburg and Malmö the city attraction is particularly evident. Examples are the popularity of residential city districts and clusters of specific knowledge areas such as ICT (Information, Communication and Technology), Life Science and Medtech.

The big cities in Sweden are growing in terms of the number of businesses and residents. Access to education, knowledge and creative environments provide excellent prospects for continued growth. In Stockholm, 5,000 new businesses started up in the third quarter of 2014 alone. Sweden is often cited as one of the

world's most creative countries, attracting talent from all over the world. Companies need accessible, functional and efficient premises in the right locations.

These conditions form the basis of our strategy which pinpoint the major cities and growth regions as the geographical areas in which we should be concentrating our portfolio, and targeting offices as our most important segment. This is where the economic growth is, and this is where the demand for premises lies. In addition, we have specifically identified 18 micro locations around Sweden that have major potential based on demographic and economic attributes, and are therefore of interest.

Example: Danderyd offices

Effective management that is a win-win for everyone

As a long-term property owner, we are constantly working to maintain our properties, to build and develop our relationships with customers, but also to ensure that we remain a leading player in the communities in which we operate. Knowing what our customers want and having a good understanding of the local community are key factors for conducting successful and sustainable management of our property portfolio. We are therefore constantly working on building relationships both within and outside of our properties. In addition, we are investing more time than before on improving our dialogue with our customers and on expanding our team of rental providers with good ties to the area in which they operate.

Naturally we would like to have a long relationship with our customers, but sometimes there are changes to their businesses that create the need for new premises. Many property owners then find it difficult to identify a new solution.

After the acquisition of GE Capital Real Estate's property portfolio at the end of 2013, we succeeded in creating a strong office portfolio over a short period of time. An important part of the portfolio was a cluster of properties in Danderyd next to Mörby Centrum. Grouping properties in clusters allow us to respond quickly to customer needs by identifying new solutions for premises in the same area, attracting service functions such as restaurants, dry cleaners, fitness centres and pharmacies close to the properties, as well as allocating management costs over several properties which creates economies of scale. The result is that our customers enjoy a high level of service and flexible solutions for premises, while we are achieving more efficient management at the same time.

The Danderyd offices is one of our first clusters. Today we have nine clusters in selected growth regions. Kista is our latest, with a total portfolio of 100,000 square metres.



TOTAL AREA, SQ. M.

99,000



SEGMENT

OFFICE

"Thanks to a close dialogue with Kungsleden, we have quickly been able to find new premises whenever our needs have changed. We are now in our 21st year at the Danderyd offices, where over the years, we have leased a range of premises suited to the size of our business. Availability is very high thanks to good communications, which is important to us, as an accounting firm. So when Kungsleden was able to arrange new premises in the same area, it suited us perfectly."

Roger Ehrman, Revisab



NO. OF PROPERTIES

4



NEW RECORDS AND CONTINUED CONFIDENCE

The transaction volume in the Swedish property market hit a new record in 2014 with a transaction volume of SEK 160 billion. Thanks to the stock market upswing over the year and the low interest rates, 2015 is expected to be another encouraging year for the property market. Large infrastructure projects in major cities will certainly lead to new highly coveted locations which could create new areas of growth.

2014 was a good year for the property market, with stable growth in the economy and low inflation that pushed interest rates down to historically low levels. Towards the end of the year, we witnessed a rapid fall in the price of oil which will probably further stimulate the Swedish economy. Along with good access to capital in the market, a positive impact on the property market is also expected in 2015.

ACCESS TO CAPITAL IS DRIVING ACTIVITY

It is evident that the property sector in 2014 showed no signs of concern about the economic and political challenges that exist outside the Nordic region. Liquidity and access to capital was high with a new record in transaction volumes. This has been good for Kungsleden, since we implemented our new strategy over the year with an intense refinement of the property portfolio in focus. The last quarter was exceptionally strong where SEK 69 billion was traded. Stockholm accounted for 36 per cent of the volume of transactions in the year. This was also a good quarter for Kungsleden with several profiled acquisitions, including Kista outside Stockholm and Hyllie in Malmö.

The number of transactions grew by 26 per cent from the previous year due to high demand, which has resulted in a low yield requirement. Naturally, this places higher demands on a company like Kungsleden where portfolio optimisation is a key part of our strategy, but despite this we have exceeded our goals for acquisition and sales over the year. The increased demand is expected to lead to continued high liquidity in the market while the favourable interest rates enable property companies to invest in their own portfolios through major development projects. Kungsleden is no exception, as an extensive analysis has been going on in 2014 to build a pipeline of development projects that will enhance the quality and consequently the yield and value of these properties.

KUNGSLEDEN BENEFITS FROM THE TREND

Urbanisation is proving to be a lasting trend, which is also contributing to increased demand. This trend has been most robust in Stockholm, where transaction prices and rents have steadily risen. According to JLL's Nordic City Report, there is also a migration of companies from city centres to the outskirts of the cities. This causes lower vacancy rates in sub-markets outside the city – a trend that has a beneficial impact on our strategy of offering commercial premises in good locations outside of the major cities and in growth areas.

The fact that our metropolitan regions are investing in large infrastructure projects such as an expanded subway system in Stockholm, the West Link project in Gothenburg and Malmö City Tunnel is helping create new prime locations. It is fuelling a shift in the regions, possibly resulting in the creation of new growth regions. Over time, this could of course affect the valuation of the properties.

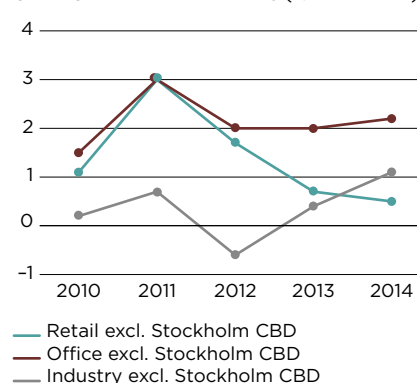
THE EFFECTS CAUSED BY THE SHORTAGE OF HOUSING IS SPILLING OVER INTO COMMERCIAL PREMISES

One factor that could counteract the positive trend from urbanisation is the current housing shortage, particularly in Stockholm, which is creating challenges for knowledge-intensive industries in particular with a significant influx of employees from other parts of the country or abroad. If the housing crisis continues, this could lead to urbanisation being slowed with a negative impact on the growth of the region, which will impact the economy in general. Here, politics and the business community have a shared responsibility.

A FAVOURABLE MARKET HAS A POSITIVE IMPACT ON KUNGSLEDEN

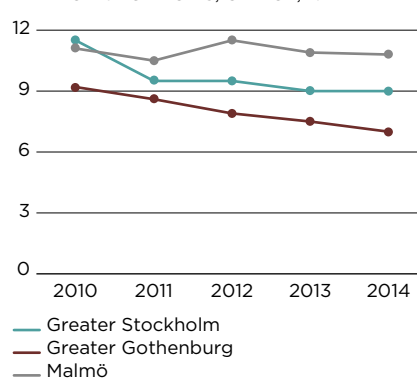
The market's favourable situation with high demand, good liquidity, low interest rates and properties that are a sought-after investment, has had positive effects on the entire property sector. These effects are particularly visible in the change in the value of our properties.

CHANGE IN MARKET RENTS (% PER YEAR)



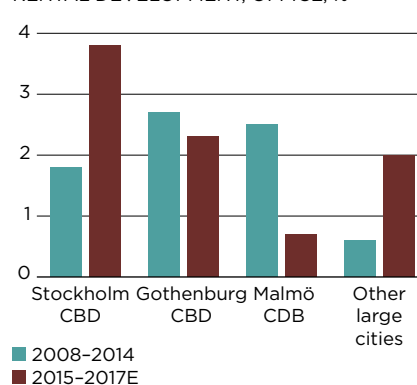
Source: IPD

RATE OF VACANCIES, OFFICE, %



Source: Newsec

RENTAL DEVELOPMENT, OFFICE, %



Source: Newsec

FLEXIBLE SOLUTIONS FOR CUSTOMERS

The development of society places high demands on today's corporate world where the need to quickly adapt costs based on the markets is receiving ever more focus. For Kungsleden, this means being able to offer our customers flexible space solutions and maintain an ongoing dialogue on their needs for premises and service preferences. We do this through our local management organisation with skilled rental providers who understand the market well.

Now that our new strategy has been implemented, the organisation is also adapting to be a long-term property owner where dialogue with our customers is playing an increasingly prominent role. The relationship between property manager and customer is vital for the smooth functioning of the business. For this reason, our property managers have been given more responsibility for their properties where the dialogue with customers is a crucial component.

The property managers' increased responsibilities and work give rise to lessons, insights and knowledge that are exchanged at our internal management conference "Property Days". Exchanging knowledge and experience in the organisation is important in order to fully understand market forces and needs, and forms the basis of our offering.

A STREAMLINED PORTFOLIO FACILITATES FAST CHANGEOVERS

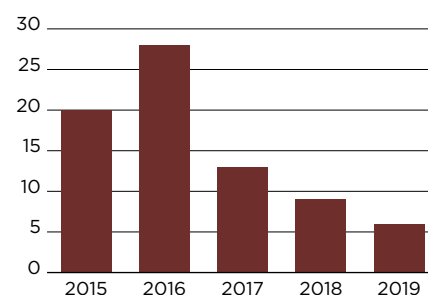
Our customers represent a cross section of Swedish industry with companies and organisations of varying size, as well as public organisations such as municipalities and county councils. In a dialogue with them, and by being responsive to the market, we

see an increasing need for flexible premises that can rapidly be adapted whenever the needs of the customer change. Examples of this might be a need for a new floor layout, more or less space due to recruitment or downsizing, communication needs or operational changes. Sometimes premises are customised based on the revised need, but sometimes the changing needs mean that customers have to find new premises.

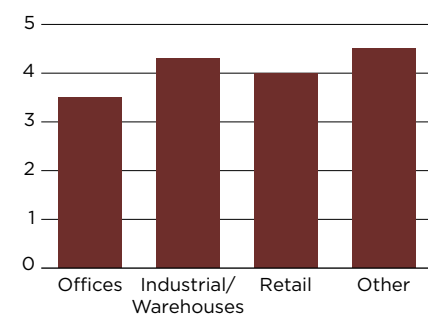
Thanks to an increasingly concentrated property portfolio through our clusters, we are often able to offer new solutions for premises when faced with major changes. In this way we can establish long-term relationships with our customers even when their needs for premises change. In addition, a streamlined portfolio allows us as property owners to plan for and adapt, preferred service functions that are appreciated by customers.

The efficiency of premises in terms of energy consumption, reduced environmental impact and accessibility are also important aspects for our customers. Energy efficiency is an area that we are constantly reviewing. This is described in more detail on Page 26. Here, as well, a streamlined portfolio brings operational and financial benefits to both customers and Kungsleden.

MATURITY STRUCTURE OF RENTAL AGREEMENTS



AVERAGE REMAINING TERM FOR RENTAL AGREEMENTS, IN YEARS



LARGEST TENANTS

Kungsleden's ten largest tenants at December 31, 2014 account for 32.1 per cent of the rental revenue, and have an average remaining contract length of 3.9 years.

- ABB
- Bring Frigoscandia
- Överskottsbolaget
- ICA
- The Swedish Armed Forces
- General Electric
- V-TAB
- The Swedish Social Insurance Agency
- Byggmax
- Westinghouse Electric Sweden

“ICA stores engage in a continual dialogue with customers so that they are able to constantly develop and adapt their offering to local preferences. As landlord, we continually strive to be available, committed and responsive to our tenants needs, which is something that our external landlords, like Kungsleden are also striving to achieve.”

Michael Johansson, CEO of ICA Fastigheter Sverige AB

Example: International English School

New life in vacant property

Efforts to capitalise on the potential of existing properties and land by developing them based on a new urban development perspective, potential building rights or prevailing detailed development plans were initiated last year and are therefore still in a start up phase. This does not alter the fact that it is an important part of Kungsleden's strategy as a long-term property owner. In this way, we can take advantage of latent values in the portfolio as highlighted by the management and development department's improvement efforts. The work is being driven in three stages: property and project development, project leasing and project implementation.

In order for the improvement efforts to be carried out successfully, we need to unite our own plans with the needs and aspirations of our customers and the visions and desires of society. One example of this is a development project in Umeå. The municipality is implementing a major urban development project in an area where one of our properties is located. When the urban development project started, we analysed the conditions of the property and found that the location was a natural hub in the area, which would be suitable for some form of public service activity. We had previously been approached by the International English School who were looking for premises in the area. These discussions were resumed, and we are now implementing a large-scale development project at the property to prepare it for the activities of the International English School. We are simultaneously developing new building rights on lots, in cooperation with Umeå municipality.

“For us, it is incredibly important to have facilities that contribute to a safe school environment, that have been designed and built for efficient education and teaching. Together with Kungsleden, we've been able to be involved in the development of an old factory building, which was converted into a modern school building.”
Jörgen Stenquist, Deputy CEO of IES

Aspgården 18, Umeå



A SELECTION OF KUNGSLEDEN'S DEVELOPMENT PROJECTS

Studentkåren 7, Lund



VOLUME OF INVESTMENT

SEK **1,000**
MILLION
2-3 YEARS AHEAD

Skiftinge 1:3, Eskilstuna



NO. OF COMPLETED PROJECTS IN 2014

5

Blästern 14, Stockholm



NUMBER OF DEVELOPMENT PROJECTS IN THE PIPELINE

20

Blästern 14, Stockholm



Project development



Project leasing



Project implementation



PRIORITISED PROJECTS

Property, location	Description	approx. area, in sq. m.
Blästern 14, Stockholm	Project and concept development and project leasing of a block at Nya Hagastaden	15,000
Gallerian, Vårblomman 8 etc., Eskilstuna	Project and concept development and project leasing of existing retail space in central Eskilstuna. Includes five properties	20,000
Skiftinge 1:3, Eskilstuna	Project and concept development of new retail site along the E20 highway. Ongoing work on detailed development plan	25,000
Sveaplan, Speditören 1, Eskilstuna	Ongoing project implementation. Conversion of retail space to a healthcare centre at Sveaplan shopping centre	2,000
Aspgården 18, Umeå	Ongoing project implementation. Conversion of warehouse/industrial building into a school. Ongoing work on detailed development plan to create new development rights	6,000
Laven 6, Umeå	Project leasing, with the goal of setting up a new store in the business district, Ersboda	2,500
Enen 10, Södertälje	Project development and leasing of commercial property in central Södertälje	6,000
Verkstaden 7, Västerås	Detailed development plan efforts to convert old industrial buildings and to create new development rights in Kopparlunden	50,000

INCREASED QUALITY OF THE PORTFOLIO ENSURES HIGHER VALUE

Efforts to concentrate the property portfolio in 2014 has been in focus, resulting in our presence in the number of municipalities dropping from 109 to 91 by year-end thanks to intense streamlining efforts. Meanwhile, the quality of the portfolio grew over the year as the non-strategic properties were sold for the benefit of acquisitions in accordance with our strategy. The results of this work are reflected in an increase in value of the portfolio of one billion kronor.

Kungsleden's property portfolio comprises commercial properties in Greater Stockholm, Greater Gothenburg, Southwestern Sweden and Mälardalen in the office, industrial/warehouse and retail segments. The largest segment as of 31 December 2014 including the Kista acquisition, was offices which accounted for 59 per cent of the portfolio value.

CONTINUED DEVELOPMENT OF THE PORTFOLIO OVER THE YEAR

The year was characterised by a high tempo in the improvement work to the property portfolio. The aim is to improve the quality of the portfolio, while adapting geographical distribution based on the company's strategy to own properties in metropolitan regions and growth areas in order to ensure an attractive total return.

During the year, 66 properties were sold for a total of SEK 2.6 billion. Kungsleden divested these properties because they were not in accordance with the new strategy. One of these was our last overseas property located in Germany, which ended Kungsleden's involvement as property owners outside of Sweden. At the same time, properties have been acquired for SEK 2.7 billion. These properties are of a high quality with attractive locations within our identified areas of focus. We completed our largest transaction for the year in the fourth quarter through the acquisition of four modern office buildings for two billion kronor in Kista outside of Stockholm, three of which were taken over at the beginning of 2015.

The streamlining process changed the balance in our segmentation such that office now accounts for more than half of the portfolio and industrial/warehouse for 31 per cent. In 2014, Stockholm has also grown into the largest region with 32 per cent of the portfolio value and in total, the three metropolitan regions – Greater Stockholm, Greater Gothenburg and Greater Malmö – account for 46 per cent of the total value of the portfolio prior to the Kista acquisition.

Investments have also been made at SEK 334 million to modernise, customise and improve the quality of existing properties for tenants. Improvement of the portfolio has also been undertaken through the development of vacant land, and through redevelopment and by leveraging existing development rights (read more about the IES development project on Page 16).

VALUE APPRECIATION DURING THE YEAR

At the turn of the year, all of the properties underwent an internal and external valuation based on a cash flow analysis where the individual property's future earnings capacity and the market's yield requirement were assessed. The results of the valuation work is that the value of the property portfolio grew by one billion kronor, of which SEK 186 million are realised gains from sales.

All value adjustments are explained by the fact that there have been changes that affected the value of the properties and/or the market's yield requirement has been adjusted in relation to a previous valuation.

Examples of changes that can affect the value of the properties are new leases, terminations or investments. Information about the demands of the market for a return is ensured by having an active presence on the transaction market and by analysing transactions in the relevant segments.

The robust transaction market with a high demand from property investors has contributed to the market's yield requirement falling in 2014 which means that the average yield requirement that has been used in the valuations has been adjusted down from 7.8 per cent to 7.4 per cent. Over the year, the yield requirement in the internal valuations was lowered for several properties located in the three metropolitan regions and in regional cities, including Västerås, Växjö and Östersund.

Kungsleden's valuations have been quality assured by an external assessor. The external valuations, which were carried out on all of our 305 properties, a very close to Kungsleden's internal valuations.

EARNINGS CAPACITY

Kungsleden reports earnings capacity in order to supplement the income statement with a more accurate picture of the underlying profitability of current operations. With unchanged conditions, earnings capacity provides a picture of the earnings ability for the property holdings that were owned as of 31 December 2014.

EARNINGS CAPACITY ¹ PER SEGMENT	Office	Industrial/ Warehouse	Retail	Other	Total
No. of properties	112	121	55	17	305 ³
Leasable area, thousand sq. m.	984	1,257	310	41	2,592
Book value, SEK m	10,715	6,186	2,351	360	19,612
Rental value, SEK m	1,165	812	283	47	2,307

Earnings capacity

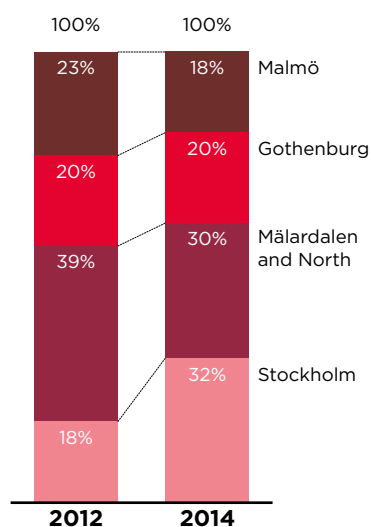
Rental revenue, SEK m	1,044	730	252	44	2,070
Operating net, SEK m ²	719	566	168	30	1,483
Economic occupancy rate, %	89.5	89.9	89.0	93.0	89.7
Property yield, % ²	6.7	9.1	7.1	8.4	7.6
Surplus ratio, % ²	69.0	77.5	66.8	67.7	71.7

1. Earnings capacity shows what the profit would have been if properties as of 31 December 2014 had been owned for the last 12 months.

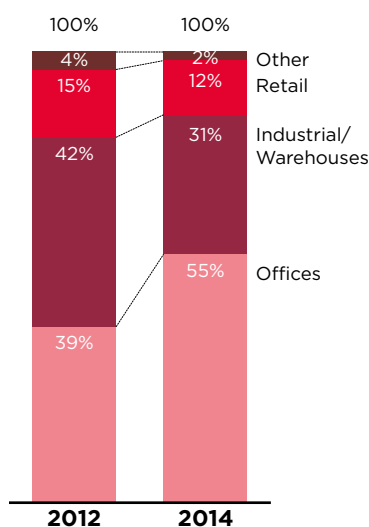
2. In the income statement, the Group's operating net also includes property management costs, but this is not included in each specific property's operating net in the earning capacity.
In 2014, the cost of property management totalled SEK 82 million for property management.

3. A reallocation has taken place during the year.

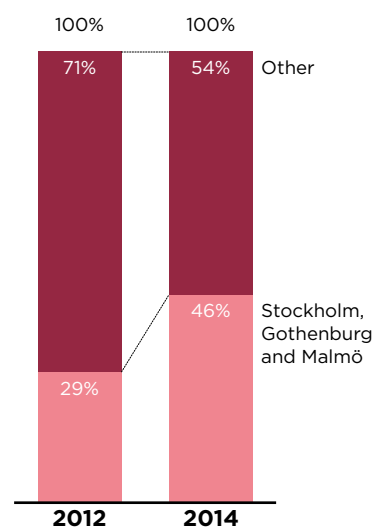
THE PROPERTY PORTFOLIO'S DEVELOPMENT BY REGION



THE PROPERTY PORTFOLIO'S DEVELOPMENT BY SEGMENT



THE PROPERTY PORTFOLIO'S DEVELOPMENT METROPOLITAN CONCENTRATION



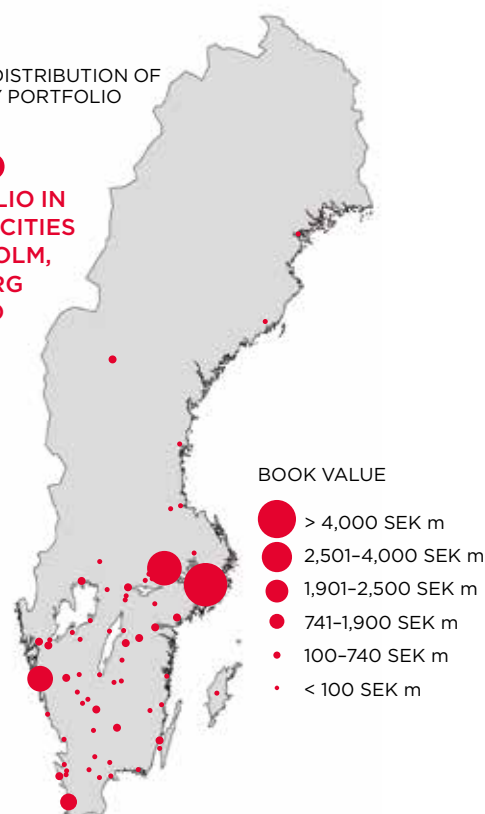
All figures are exclusive of property used in business operations, as well as modular buildings.

DEVELOPMENT OF PROPERTY HOLDINGS	Book value, SEK m	Number
Property portfolio as per 1 January, 2014	20,338	366
Acquisitions ¹	386	4
Investments in owned properties	334	-
Book value of sold properties	-2,379	-66
Exchange rate fluctuations	3	-
Unrealised changes in value	930	-
Property holdings as of 31 December 2014	19,612	305

1. During the full-year period, Jan-Dec, acquisitions totalling SEK 2,666 million were made, of which SEK 2,280 million had not yet closed in 2014.

GEOGRAPHIC DISTRIBUTION OF THE PROPERTY PORTFOLIO

46%
OF PORTFOLIO IN
THE MAJOR CITIES
OF STOCKHOLM,
GOTHENBURG
AND MALMÖ



REGION STOCKHOLM

Region Stockholm continues to perform strongly for Kungsliden and it accounts for 32 per cent of the total value of the property portfolio. The region – with properties primarily in Stockholm and Norrköping – managed 71 properties with a total value of SEK 6,225 million at the end of the year. At the end of the year, the company acquired four properties in Kista, (three of which were taken over in the first quarter of 2015) for two billion kronor. This has further strengthened our position in the region.

Stockholm is the hub of the Nordic property market with high liquidity and easy access to capital. In addition, it is an engine of growth for the country and home to several international headquarters. Additionally, many foreign companies source their regional headquarters here, which is what lies behind the region continuing to have the largest and fastest growing office market in Sweden. This is an important reason why we are working to strengthen our presence in this segment. As of the end of December, the office segment accounted for more than 70 per cent of the regional portfolio and that figure increased even further when Kungsliden took over three of the four properties it had acquired in Kista.

The strong urbanisation trend with 40,000 new residents added to Greater Stockholm each year, continues to create a gap between supply and demand. This means, for instance, a high turnover and low vacancy rates in both the inner city and in the surrounding municipalities. Furthermore, the extensive infrastructure projects underway

in the region, which are expected to increase mobility. New attractive locations on the outskirts of the city are also being developed. For example, Tvärbanan (tramway), the Northern Link (road tunnel project) and expansion of the subway to the north is expected to impact Kungsliden's important locations in a positive way.

GOOD CUSTOMER DIALOGUE DEVELOPS AREAS

More and more property owners are investing in the development of larger areas around the periphery of their properties. Participating in urban development projects in this way not only creates a better dialogue with policy makers, but also increases the value of the properties. Kungsliden has been working in this way in recent years where, for example the Danderyd offices are demonstrating the benefits of taking a broader responsibility for the portfolio. Together with our customers, we are continuing to develop existing locations and, for us, new locations such as Västberga and Kista.

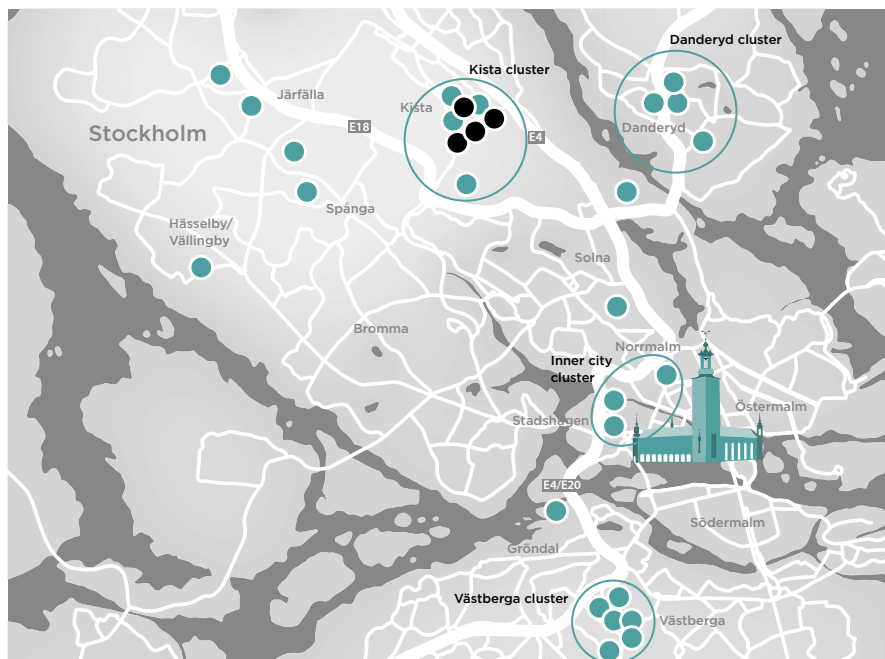
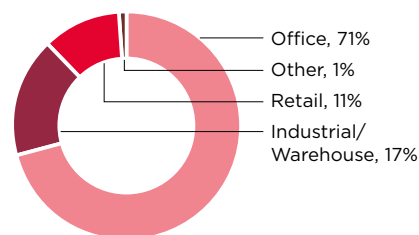
RENTAL REVENUE, SEK M

587

OPERATING NET, SEK M

420

PROPERTY PORTFOLIO BY SEGMENT



● Acquired in 2014

EARNINGS CAPACITY¹ AS OF 31 DECEMBER 2014

No. of properties	71
Leasable area, thousand sq. m.	566
Book value, SEK m	6,225
Rental value, SEK m	655
Rental revenue, SEK m	587
Operating net, SEK m ²	420
Economic occupancy rate, %	89.5
Property yield, % ²	6.8
Surplus ratio, % ²	71.6

- Earnings capacity shows what the profit would have been if properties as of 31 December 2014 had been owned for the last 12 months.
- In the income statement, the Group's operating net also includes property management costs, but this is not included in each specific property's operating net in the earning capacity. In 2014, the cost of property management totalled SEK 82 million for property management.

LARGEST TENANTS

General Electric
The Swedish Armed Forces
SMHI
The Swedish Social Insurance Agency
ABB

REGION GOTHENBURG

Gothenburg is Sweden's logistics centre and the city has a particularly strategic position in Northern Europe thanks to its location and because it is the largest port in Scandinavia. The infrastructure is already well developed, but will be improved even further thanks to several new major projects that are underway. The region consists of 106 properties with a total value of SEK 3,973 million. The total leasable area is 655,000 sq.m.

An important initiative for the region is the extensive Western Swedish package of investment in public transport, railways and roads. The package includes, among other things, new links over the river with a new tunnel and a new bridge to replace Göta Älvbron, the expansion of public transport and the introduction of permanent congestion charges. Transport and commuting possibilities to and from Gothenburg are already good, which means that the planned investments are expected to have a positive impact on the city's goal of a significantly larger labour market by 2030. These initiatives, coupled with the fact that the city has decided to keep the congestion charges, is advantageous for Kungsleden's portfolio, which is primarily located outside of the toll boundaries.

INCREASED MOBILITY IN THE MARKET

In recent years, several new construction

projects along with investments in urban development have been initiated, which has breathed new life into a formerly relatively static market. The result is increased mobility in the market, which is leading to higher activity with a greater focus on the needs of customers. The expansion in neighbouring municipalities with a more liquid market offers good prospects for areas outside the city centre such as Mölndal and Högsbo where Kungsleden has a large portfolio.

Kungsleden's portfolio in the region consists of office, industrial/warehouse and retail where the industrial/warehouse segment accounts for over 40 per cent of the portfolio, which is a natural result of their proximity to the Port of Gothenburg. Other areas within the region include Västra Götaland, Halland, Värmland, as well as large parts of Småland. Within the region, the rental market is demonstrating a stable upward trend.

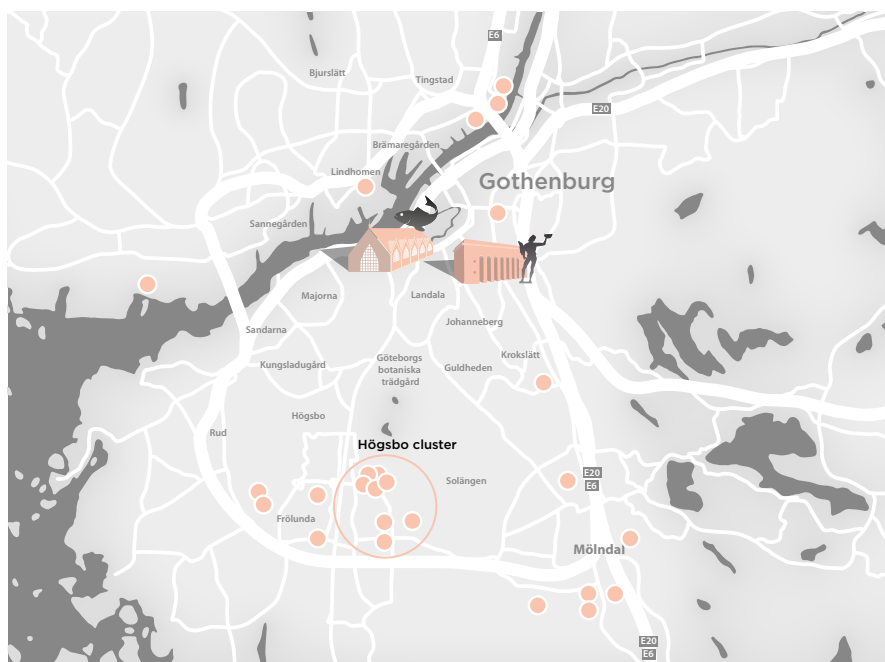
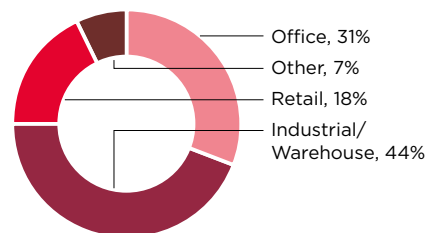
RENTAL REVENUE, SEK M

433

OPERATING NET, SEK M

318

PROPERTY PORTFOLIO
BY SEGMENT



EARNINGS CAPACITY¹ AS OF 31 DECEMBER 2014

No. of properties	106
Leasable area, thousand sq. m.	655
Book value, SEK m	3,973
Rental value, SEK m	490
Rental revenue, SEK m	433
Operating net, SEK m ²	318
Economic occupancy rate, %	88.4
Property yield, % ²	8.0
Surplus ratio, % ²	73.5

- Earnings capacity shows what the profit would have been if properties as of 31 December 2014 had been owned for the last 12 months.
- In the income statement, the Group's operating net also includes property management costs, but this is not included in each specific property's operating net in the earning capacity. In 2014, the cost of property management totalled SEK 82 million for property management.

LARGEST TENANTS

Överskottsbolaget
ABB
ICA
Papyrus Sverige
Santa Maria

REGION MALMÖ

The Öresund region is one of the most exciting regions with over three million inhabitants. The cohesion between Copenhagen, Malmö and Lund attracts companies and organisations from a wide range of industries. Along with Helsingborg, the cities serve as engines for all of southern Sweden. Kungsliden owns 66 properties in the region with a total value of SEK 3,546 million.

MALMÖ REGION IS IMPLEMENTING THE STRATEGY

Kungsliden has improved its position in the Malmö area and today we are a significant property owner and a major operator, though not the largest. During the year we established a position in the expansive Hyllie district through the acquisitions of Malmömässan (exhibition and conference centre) and the office building project, Isblocket. In addition, we acquired properties in the eastern port area and in central Malmö. In total, five strategic acquisitions in Malmö were completed in 2014, which has helped to improve the quality of our property portfolio. The Malmö region has successfully implemented Kungsliden's strategy.

Efforts to revise and optimise our property portfolio are ongoing, which includes

our close monitoring of major infrastructure projects that affect different areas. Our investment in Hyllie is a positive development for the area thanks to the City Tunnel, which connects Malmö with Hyllie and Copenhagen.

FOCUSED DEVELOPMENT YIELDS RESULTS

For many years, the Malmö region has consistently worked to transform the city from an industrial city to a knowledge-based city. Through vision, courage and perseverance, the region can now reap the fruits of this work through steady growth and a diversified economy with small and medium-sized companies and well-developed research activities in Lund and beyond. For Kungsliden, this creates a broad customer base and contributes to flexibility in the market.

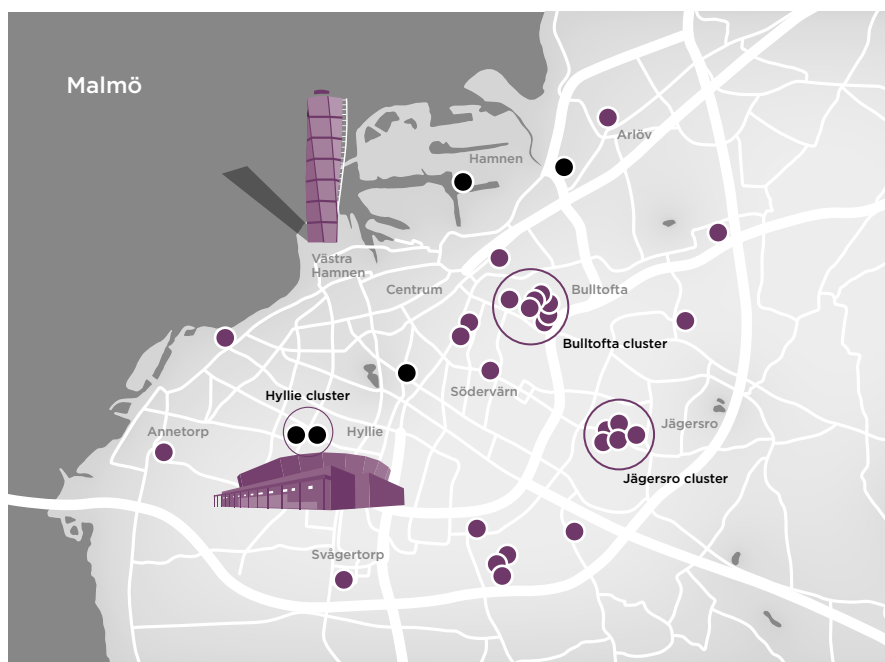
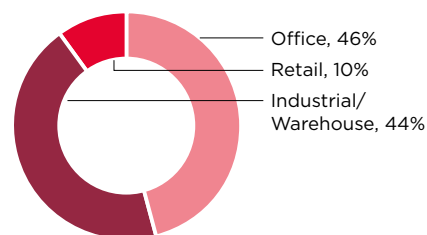
RENTAL REVENUE, SEK M

332

OPERATING NET, SEK M

252

PROPERTY PORTFOLIO BY SEGMENT



● Acquired in 2014

EARNINGS CAPACITY¹ AS OF 31 DECEMBER 2014

No. of properties	66
Leasable area, thousand sq. m.	502
Book value, SEK m	3,546
Rental value, SEK m	386
Rental revenue, SEK m	332
Operating net, SEK m ²	252
Economic occupancy rate, %	85.9
Property yield, % ²	7.1
Surplus ratio, % ²	76.0

- Earnings capacity shows what the profit would have been if properties as of 31 December 2014 had been owned for the last 12 months.
- In the income statement, the Group's operating net also includes property management costs, but this is not included in each specific property's operating net in the earning capacity. In 2014, the cost of property management totalled SEK 82 million for property management.

LARGEST TENANTS

Bring Frigoscandia
Brio
Finnveden Metal Structures
The Swedish Social Insurance Agency
Överskottsbolaget

REGION MÄLARDALEN AND NORTH

Mälardalen as a region is making progress, demonstrating impressive growth and bright prospects. A lot of this is thanks to major investment linking the major cities of Västerås, Örebro and Eskilstuna. Important hubs contributing to growth are Örebro, with its major airport, and Västerås with its strategic location for railway and motorway connections. Västerås accounts for the lion's share of Kungsleden's total portfolio in the region with 62 properties at a total value of SEK 5,868 million.

Kungsleden is the largest property owner in Västerås with a large portfolio of high quality objects in the centre and at Finnslätten. This means that we have a significant presence in the city, which we are continuing to strengthen through improved dialogue and by developing relationships with customers, society and policy makers.

The largest tenant is ABB, which is the main private employer in the municipality. Over the years, our relationship and cooperation with ABB has grown, enabling us to develop the properties in a mutually beneficial way.

AN INTERCONNECTED MÄLARDALEN A CATALYST FOR GROWTH

The major infrastructure investments that municipalities in the region have implemented have brought together the major cities, including Västerås, Örebro and Eskilstuna. This has improved accessibility to Stockholm and thereby contributed to robust growth. Initiatives by the municipality to develop the station area in

Västerås are also expected to boost the area further.

PRESENCE IN NORTHERN SWEDEN'S GROWTH CITIES

In the north, our portfolio is concentrated to Östersund and Umeå. During the year, Kungsleden sold the majority of its northern portfolio to NP3 Fastigheter and thereby opted out of large parts of the Norrland market.

Two major properties with great potential were retained in Umeå which now constitute important development projects. Umeå is northern Sweden's leading location for growth with stable development of knowledge-based companies mixed with world leading industrial companies. In addition, Umeå is one of the country's main university cities. As the city grows, major infrastructure projects are also being planned to expand the city. In Östersund, we have a streamlined portfolio of high-quality properties with a low vacancy rate in the centre of the city.

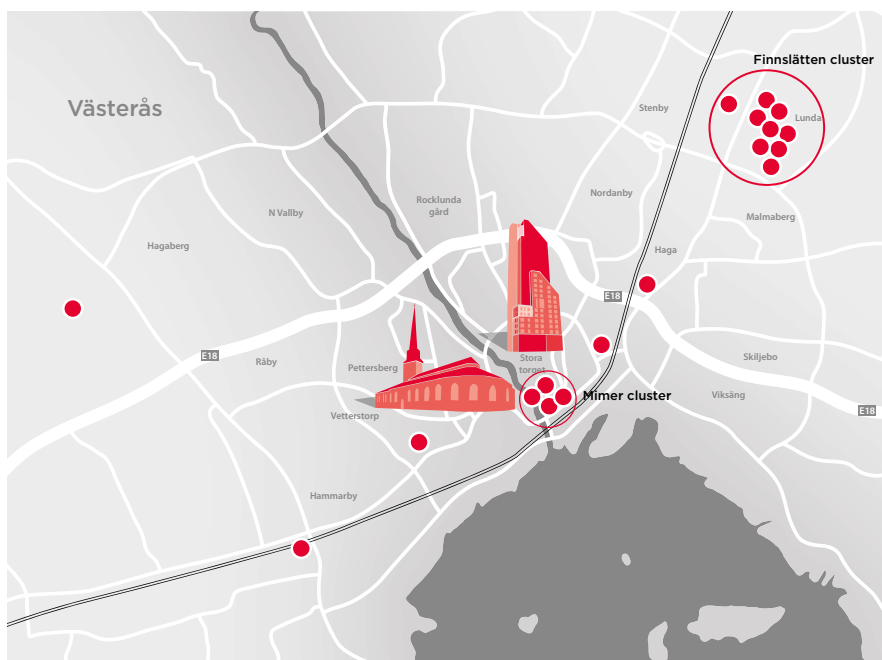
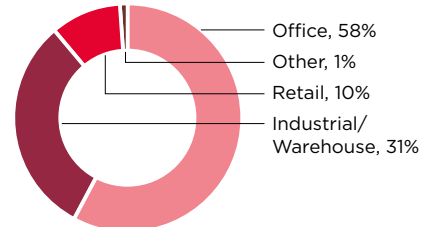
RENTAL REVENUE, SEK M

718

OPERATING NET, SEK M

493

PROPERTY PORTFOLIO BY SEGMENT



EARNINGS CAPACITY¹ AS OF 31 DECEMBER 2014

No. of properties	62
Leasable area, thousand sq. m.	869
Book value, SEK m	5,868
Rental value, SEK m	776
Rental revenue, SEK m	718
Operating net, SEK m ²	493
Economic occupancy rate, %	92.5
Property yield, % ²	8.4
Surplus ratio, % ²	68.6

- Earnings capacity shows what the profit would have been if properties as of 31 December 2014 had been owned for the last 12 months.
- In the income statement, the Group's operating net also includes property management costs, but this is not included in each specific property's operating net in the earning capacity. In 2014, the cost of property management totalled SEK 82 million for property management.

LARGEST TENANTS

- ABB
- Westinghouse Electric Sweden
- City of Västerås
- V-TAB
- The Swedish Armed Forces

NORDIC MODULAR

In early 2015, Kungsleden sold the majority of Nordic Modular Group to Inter IKEA Investments. Following the transaction, Kungsleden now owns 35 per cent of the company. Nordic Modular is a leader operator in the rental and sale of modular buildings in the Nordic countries. Prefabricated buildings facilitate high quality, flexible and cost-effective solutions for municipalities, county councils and private companies.

SALE OF NMG

In January 2015, Kungsleden sold 65 per cent of the Nordic Modular Group to Inter IKEA Investments. The transaction means that Kungsleden continues to share part of Nordic Modular Group's profit allocation, but is no longer a majority shareholder. Nordic Modular Group remained a wholly owned subsidiary throughout 2014.

The entire shareholding in Nordic Modular Group at year-end is valued at the price agreed for the sale of 65 per cent of the shares to Inter IKEA Investments, which was finalised in January 2015. As a result, there was an impairment loss of SEK 157 million.

NORDIC MODULAR'S PROGRESS IN 2014

Our expectations for the year about stronger market demand came true, with growth in sales, turnover and earnings in all three business areas.

New leases in Temporent, which in terms of earnings constitutes the main engine for Nordic Modular, rose and the return flow from expired tenancies fell to an expected level during the year. This meant that the leased portfolio grew, and the occupancy rate improved, while investment in new rental assets rose over the year. A new regional office was established in the Helsinki region and the first rental transaction in Finland was completed with a municipality in the metropolitan area. For Flexator, a steadily increasing demand for turnkey projects improved order intake. This meant that the production rate could be increased through improved capacity with sufficient

staffing. Total sales therefore also increased and earnings improved. A greater proportion of Flexator's sales compared to the previous year were made internally to leasing fellow subsidiaries and was eliminated from the Group's recognised net sales.

The business volume of the leasing companies increased during the year, while the investment volume rose further compared with the previous year.

Headquartered in Upplands Väsby with local offices in Lund, Umeå, Copenhagen, Oslo and Helsinki, as well as offices and factories in Anneberg, Gråbo and Eslöv.

*Read more about Nordic Modular on
www.nordicmodular.com*

“The future prospects for Nordic Modular Group are good, but Kungsleden has decided to focus on its new main strategy. The sale of 65 per cent of NMG to Inter IKEA Investments has freed up resources, making it possible to buy commercial properties for approximately SEK 1.8 billion in Sweden's growth regions.”
Anders Kvist, Deputy CEO and CFO

A RENEWED ORGANISATION FOR THE NEW STRATEGY

During the year, our colleagues from the GE acquisition and new employees were integrated into the organisation. At this time the new position of rental provider was created. A large part of the year's work has focused on integrating our new colleagues into Kungsleden's decentralised organisation, where employees are empowered to make decisions based on their knowledge and understanding of the local market.

From an employee perspective, we have experienced an exciting year with many new employees and intensive efforts to adapt the organisation to suit the new strategy. The focus has been on getting processes, new governing documents and skill enhancing initiatives in place.

At the end of the year, the Kungsleden Group had a total of 291 employees. Of these, 93 (96) employees were involved in property activities, and 198 (165) employees in Nordic Modular Group. Staff turnover for the Group was 14 (20.7) per cent.

INTEGRATION OF NEW EMPLOYEES

In late 2013, Kungsleden took over the previously acquired GE portfolio which meant that 20 new employees were welcomed to Kungsleden. This enhanced our expertise, primarily in office properties. Integration efforts went on throughout the year, including successful team-building initiatives. In addition, there were skills enhancement initiatives, which also contributed to a smoother integration process. All employees have a skills development plan which is reviewed on an annual basis.

As a long-term owner of properties with a focus on active management, the need for a strong management organisation with skilled property managers and rental providers has grown. In connection with the integration of employees from GE, the organisation gained expertise in these important areas, primarily in Stockholm and Gothenburg. During the year, important recruitments were made in all regions to ensure that the organisation is consistent with Kungsleden's new strategy.

CONTINUED INVESTMENT IN HEALTH AND GENDER EQUALITY

Kungsleden provides a safe and healthy workplace, which is also reflected in the low sick leave figure of 1.0 (3.0) per cent, excluding Nordic Modular. During the year, additional initiatives were implemented to

ensure that employees feel good and are given the opportunity to remain healthy. Among other things, the wellness allowance has been raised by over 60 per cent to SEK 5,000 per year. In addition, all employees enjoy private health insurance.

Efforts to achieve an equal opportunity organisation continue. The proportion of women at year-end was 54 (57) per cent while the age distribution was evenly distributed among the age groups 30–39, 40–49 and over 50. In addition, the All-Bright Foundation highlighted our equal gender representation in the Board and management team and ranked Kungsleden as one of the stock market's best companies for equal opportunity.

RESPONSIVENESS TO EMPLOYEES

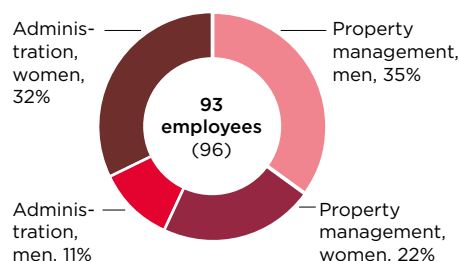
An employee survey was carried out during autumn to learn what employees think about our organisation and their work situation. With new staff and a new strategy and business model, we conducted a baseline measurement that we will measure against in the future. In this way, we can establish an employee index with clear measuring points and goals to use as a basis for the development of employees and the organisation.

COMMUNITY INVOLVEMENT

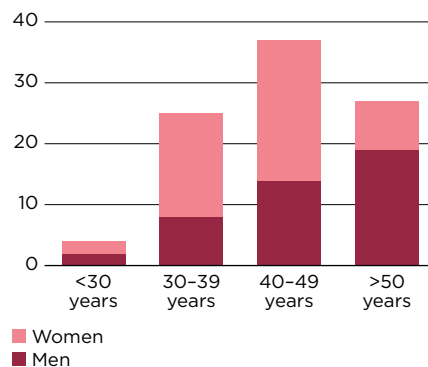
As property owners, we are visible in the communities where we operate. For us, commitment and presence in the community are therefore a natural part of our work. A prosperous and safe society is good for both residents and for property in the form of increased demand. Since 2010, Kungsleden has collaborated with Fryshuset in their effort to support young people and create the conditions for a better society.

We also participated in a collection for Swedish Radio Music Aid, in cooperation with Newsec and White Arkitekter, to develop a Houses of Dreams gingerbread house, which was auctioned off.

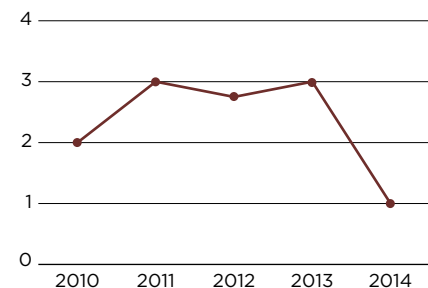
SALARIED POSITIONS



AGE DISTRIBUTION FOR SALARIED EMPLOYEES, NUMBER



ABSENCE DUE TO ILLNESS, %



ENERGY SAVINGS BENEFITS EVERYONE

In 2014, we have decided to focus on environmental and sustainability work in the following areas: energy and climate, materials, and mapping of environmental risks in our existing portfolio and for new acquisitions.

ENERGY AND ENVIRONMENTAL IMPACT

During the year, we completed several major projects designed to save energy in addition to the continuous work on savings in our daily operations. A project that was completed during the year was the replacement of heating systems at Torsnäs 1 in Kista, with the installation of geothermal heating and cooling. Another example is that the ventilation system has been replaced at Dockan 9 in Växjö, which will generate energy savings equivalent to approximately SEK 150,000 annually. All the electricity that Kungsleden purchases is origin-labelled as hydro power from Swedish generation.

MATERIAL SELECTION

We have also chosen to affiliate with the Building Material Assessment Criteria, a system for assessing building materials from an environmental perspective. The system makes it easier to select building products that do not contain hazardous chemicals or have a negative impact on the quality of the indoor air.

The development of new materials is an area that we are monitoring closely.

By using new modern materials we can cost-effectively reduce energy consumption in our buildings as property owners, which is not only good for us but also for society at large. Read about our project in Västerås in the adjacent section.

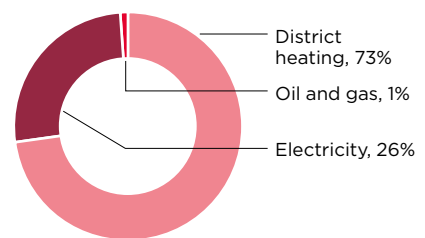
MAPPING OF ENVIRONMENTAL RISKS

A project to develop a new method to identify known environmental hazards in the properties has also been implemented. During the year, we investigated and documented the environmental risks in 25 per cent of our property portfolio, a process that will continue throughout 2015. In the current situation, no significant environmental demands can be directed towards Kungsleden. In addition, we are implementing an expanded environmental risk assessment in connection with the acquisition of properties in order to identify all the environmental hazards and assess the probability and consequences of these. 2014 has been a transaction-intensive year for Kungsleden, which is why a lot of focus has been put into environmental risk assessments prior to any acquisition.

CARBON EMISSIONS/SQM/YEAR FOR HEATING



DISTRIBUTION OF EMISSIONS, SHARE TONNES/CO₂



ENVIRONMENTAL AND ENERGY WORK IN FIGURES

Quantity of consumed electricity GWh	115
Direct energy consumption GJ oil	1,465
Direct energy consumption GWh oil	0.4
Indirect energy consumption GWh (district heating and electricity)	310
Direct energy consumption gas GWh	0.8
Indirect energy consumption district heating GWh	195
Direct emissions of greenhouse gases, tonnes (oil and gas)	389
Direct energy consumption gas GJ	2,736
Indirect emissions of greenhouse gases, tonnes (district heating and electricity)	30,422
Electricity consumption efficiency kWh/sq.m.	71
Carbon emissions/sq.m for heating kg/sq.m	14
Carbon emissions/sq.m for electricity consumption kg/sq.m	5
Other emissions, tonnes (travel)	41
Share of properties with oil heating, %	2
Proportion of green cars among company cars, %	100

“Sustainability is a constantly evolving process. We should be better and sharper at all times, but we take our responsibility and we challenge others.”

Maria Sandell, Environmental Manager

Example: environmental efforts in Västerås

Energy savings through new materials

Kungsleden carried out two major climate projects on properties in Västerås during the year. Both projects have applied new technology solutions in response to the needs of property managers and customers.

One of Kungsleden's properties in Västerås has large glass sections making indoor climate regulation difficult, due to solar radiation during the summer. Together with 3M and Kungsleden's contractor, Basreklam, a new solar film based on nanotechnology was affixed to the property's 900 sq.m glass partitions.

The advantage of the solar film is that it is basically invisible to the naked eye, but reduces solar heat radiation by about 60 per cent and the sun's UV rays by 99.9 per cent. The optical properties of the solar film allow it to shield the sunlight without the room feeling darker. Additionally, the solar film contains no metals, which are typically found in traditional solar films. This avoids corrosion and signal interference for mobile phones.

"Thanks to the 3M solar film, we don't need cooling, which consumes a lot of energy. As a major property owner, we have a responsibility towards the environment and our tenants. Consequently, we are constantly looking for new technologies and materials that will improve our footprint on the environment and society," says Thomas Wallin, Property Manager at Kungsleden.

Kungsleden has also opted to evaluate an alternative technique for roofing material on an office building in the Finnslätten area. The roof is 4,200 sq.m and covered with the Olivine mineral, one of our most common minerals. Olivine has the ability to capture carbon dioxide, which means that when it rains on the roof, carbon dioxide in the air reacts with the olivine and is converted into silicon dioxide (one of the earth crust's most common substances) and magnesium carbonate (magnesite).

The advantage of large roofs is that they have a wide exposure area and thereby become effective carbon dioxide collectors. The roof of our office building will capture 7,500 kg of carbon dioxide over its lifetime of 30 years, which is equivalent to the emissions from 53,000 km of driving.

"ABB has clear goals for reducing factors like energy consumption. This process involves a good dialogue with our landlord, Kungsleden, who shares our vision of lower climate impact."

Stefan Gustavsson, Head of Property Management at ABB AB



Örjan 1

REDUCED
SOLAR RADIATION

60%

CAPTURED CARBON DIOXIDE

7.5
TONNES



Örjan 1

FINANCING AND FINANCIAL RISKS

The financing of Kungsleden’s operations must secure the company’s survival by ensuring a financial resilience to the risk of losses and that the company has adequate liquidity, i.e. is able to meet its short-term obligations. Financing should also help to stabilise the company’s performance and minimise the cost of capital and borrowing.

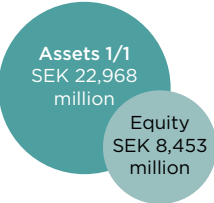
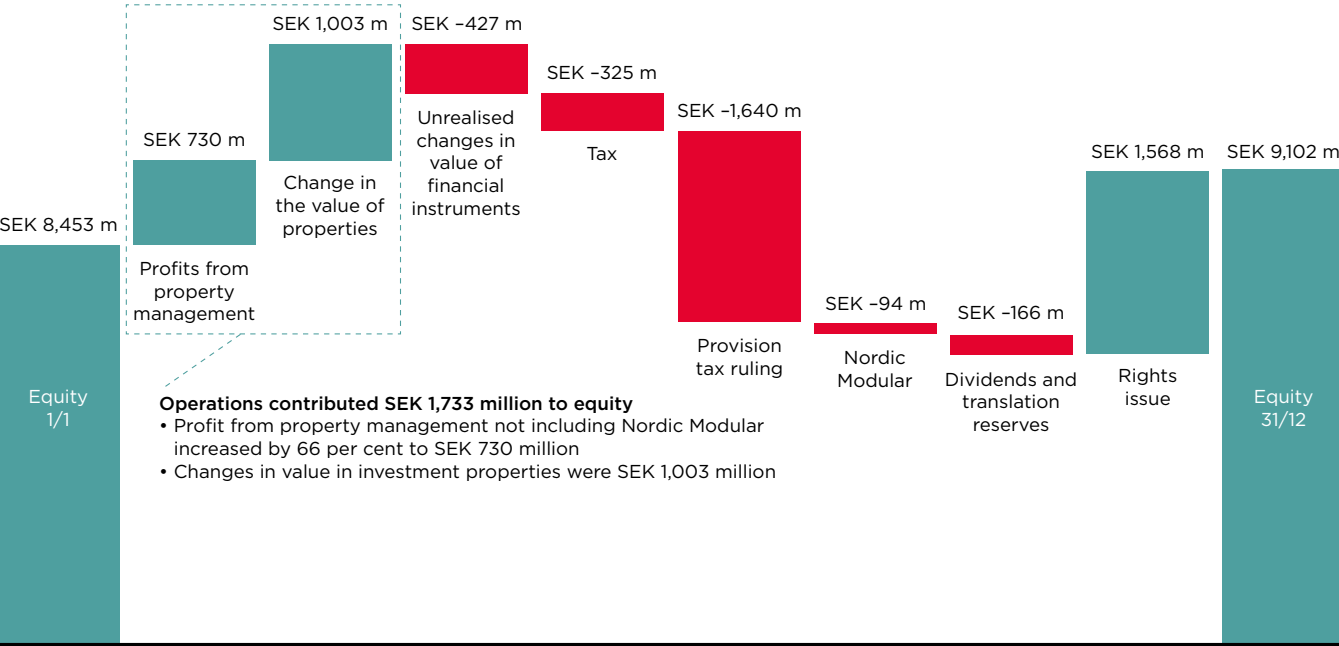
All business operations are exposed to the risk of losses. For Kungsleden, the reduced values of property assets, rising borrowing costs and tax risks, are some of the biggest potential financial risks. Equity should be large enough to serve as a buffer against these risks of loss.

EQUITY

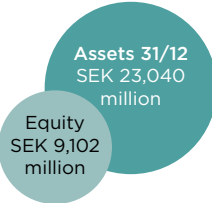
Kungsleden endeavours to have sufficient equity to allow its business to be conducted even under adverse circumstances when losses occur. During the year, equity increased to SEK 9,102 (8,453) mil-

lion. As a guideline for the level of risk, Kungsleden’s benchmark is that the equity ratio should not fall below 30 per cent. At the turn of the year, the equity ratio was 40 (36.8) per cent.

Kungsleden endeavours to secure a balance between a healthy return on equity and an acceptable level of risk. The goal for return on equity over time should be between 10 and 12 per cent. In 2014, the return on equity was -8.6 (10.7) per cent. Excluding the effect of the provision for tax rulings in the second quarter, the return was 10.1 per cent.



Equity ratio 37%



Equity ratio 40%

CASH FLOW AND LIQUIDITY

Kungsleden's liquidity position improved over the year, primarily as a result of higher cash flow from operating activities, net property sales and proceeds from the rights issue of SEK 1,568 million. The debt volume fell by a net amount of SEK 1,204 million due to property sales and scheduled loan amortisation. Tax in the amount of SEK 1,483 million was paid for the year related to the tax ruling, for which a provision was made in the second quarter of 2014.

Cash and cash equivalents at the end of the year amounted to SEK 1,437 million compared with SEK 323 million at its beginning. On 31 December, the available liquidity including unutilised overdraft facilities and the unutilised portion of the syndicated loan agreement was SEK 3,230 (3,187) million. The majority of liquidity was thus in unutilised credit that amounted to SEK 1,793 (2,865) million. The sale of 65 per cent of the Nordic Modular Group, which was completed in early 2015, led to liquidity of approximately another SEK 700 million net becoming available after the end of the year. Kungsleden always maintains available liquidity in the form of cash or unutilised credit facilities so that it can meet any tax obligations over the next 12 months and for the liquidity needs for the business. The maximum liquidity effect of residual tax litigation is estimated to be SEK 1,325 million.

INTEREST-BEARING LIABILITIES

Interest-bearing liabilities accounted for 58 per cent of the company's financing as at December 31, 2014, and is therefore the most important form of financing. The nominal amount of the loan portfolio was SEK 11,675 (12,879) million, which primarily consists of credit agreements with banks and bond loans issued on the capital market. Kungsleden's bank financing is based on bilateral agreements with individual banks and three syndicated loans with multiple banks. Access to new loans plays a crucial role for Kungsleden in order to acquire new properties, and invest in and develop existing properties. Kungsleden therefore strives to have a medium-term maturity for its loans, and an even distribution of the maturity structure to mitigate the refinancing risk.

The average remaining maturity on utilised loans as of the end of the year was 2.6 (2.4) years.

As collateral for Kungsleden's bank loans, there are liens on property, stocks, intra-Group promissory notes and guarantee commitments. In addition, certain loan commitments contain obligations such as interest coverage ratio, loan-to-value (LTV) and equity ratio. As of 31 December 2014, all obligations had been fulfilled. Loan-to-value (LTV) measured as interest-bearing liabilities in relation to property assets was 58 (59) per cent. For loans where collateral was pledged, i.e. all loans other than bond loans for a nominal amount of SEK 1,699 million, the LTV was 49 (48) per cent.

REFINANCING AND NEW BORROWING

The major financing operation for Kungsleden in 2014 was refinancing and the expansion of the Group's major syndicated loans. Through the new loan agreement, Kungsleden secured financing totalling SEK 6.5 billion broken down as SEK 4.5 billion in credit until June 2019, and credit facilities intended for property acquisitions of SEK 2 billion with a maturity of three years.

FINANCIAL INCOME AND EXPENSES

Net financial items for the full year 2014 amount to SEK -660 (-575) million. Interest expenses rose because the loan volume, on average, was higher during 2014 than it was in 2013 due to new borrowing for the acquisition from GE at the end of 2013. Kungsleden's borrowing costs are affected by changes the short-term interest rate (Stibor 90 days), the company's strategy for fixed interest and the credit margin that lenders require when making loans to Kungsleden. For 2014, the Group's interest coverage ratio was 2.2 (1.9) times.

The average interest rate on Kungsleden's borrowing (which takes into consideration both capital tied up and the fixed interest term) fell during the year and as of 31 December 2014 it was 5.0 (5.8) per cent. This improvement is the result of refinancing of loans at lower borrowing costs, restructuring of the interest rate swap portfolio and lower Stibor.

MATURITY STRUCTURE AND INTEREST RATE DERIVATIVES¹

As of 31 December 2014, SEK m	Utilised credits	Unutilised credits	Total credits	Interest rate derivatives, SEK m ²	Average interest rate for derivatives, %	Average remaining fixed-interest term, years
2015	2,512	250	2,762	1,400	4.2	
2016	3,323	100	3,423	500	3.9	
2017		338	338	200	3.5	
2018	2,639		2,639	700	3.8	
2019	3,201	1,105	4,306	600	3.4	
2020				800	3.7	
2021				725	4.5	
2022				1,900	4.8	
Total	11,675	1,793	13,468	6,825		2.8
Average conversion time, years	2.6		2.7			

1. Including Nordic Modular Group

2. Kungsleden's interest rate derivatives enable the company to obtain a variable Stibor rate and pay fixed interest over longer periods of time.

Due to loan repayments that were recently made in connection with property sales and loan maturity, the downward trend of the average interest rate was temporarily halted in the fourth quarter, despite the decline in borrowing costs. This is a purely mathematical effect of the interest expense on interest rate swaps being distributed over a smaller outstanding loan volume. Of the average interest rate, 2.3 percentage points refer to the cost of the existing interest rate swaps, expressed as the difference between the current Stibor 90-day interest rate and fixed-rate swaps. Excluding swaps, Kungsliden's average interest rate dropped from 3.7 per cent at the beginning of the year to 2.7 per cent at its end.

INTEREST RATE SWAPS LIMIT INTEREST RATE RISK

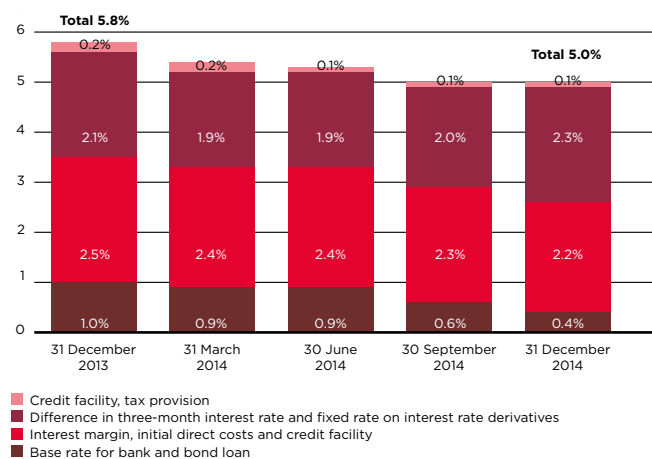
Kungsliden uses interest rate derivatives in the form of interest rate swaps to limit the impact that changes in short-term interest rates has on interest expenses. The Board adopts guidelines for how much of the debt interest can be fixed in various maturity ranges.

With interest rate swaps, the company obtains a variable Stibor 90-day rate and pays fixed interest over longer terms. At the end of the year, the nominal amount of the interest rate swaps was SEK 6,825 (9,350) million. The nominal amount decreased over the year following the restructuring of the portfolio that was undertaken in the first quarter, and because SEK 800 million in interest rate swaps matured during the year. The average fixed interest period for borrowing and interest rate swaps was 2.8 (3.1) years, which is the net effect of a lower volume of loans and that the remaining maturities have declined.

In accordance with current accounting standards, interest rate swaps are always carried at fair value. Changes in value are recognised in the income statement. If the market interest rate deviates from the agreed rate in the swap agreement, surplus value or under-value arises in the swap portfolio, which is equivalent to the market value. The market value is recognised as a liability when the value is negative and as an asset when the value is positive. A change in the market interest rate of +/- 1% point changes the swaps' market value by SEK +341 million/SEK -367 million.

As of 31 December 2014, the negative market value of financial instruments was SEK -1,134 million compared with SEK -707 million at the beginning of the year. The negative market value gradually decreases as interest payments are made for the fixed interest in the swap agreement. This is recognised as an interest expense, which affects profits from property management. Of the value change of SEK -427 million, SEK -683 million is an effect of the decline in long-term market interest rates, which, to a certain extent, was counterbalanced by the regular interest payments on the swaps, which lowered the negative market value (under-value) by SEK 256 million during the period.

AVERAGE INTEREST¹



The average interest rate is calculated by setting the interest costs for loans and interest rates swaps, initial direct costs and the costs associated with unused credit lines in relation to the outstanding loan volume at the end of the reporting period.

RISK OVERVIEW

	DEFINITION	HANDLING
FINANCING RISK	The risk of not obtaining funding, or only being available to obtain funding on unfavourable terms.	The finance policy indicates the proportion of funding which may come from an individual lender. The policy also states the maximum proportion of loans allowed to fall due for refinancing within one year. These guidelines combined with Kungsleden's continuous work on the maturity structure of the loan portfolio, limit Kungsleden's financing risk. The work takes place through ongoing discussions with existing and potential lenders as well as using alternative forms of financing in the capital markets. For the purpose of limiting financial risk, the average maturity of the total borrowing should not be less than 2 years in accordance with the finance policy.
INTEREST RATE RISK	This is the risk that a change in the market interest rate with impact earnings or cash flow. Interest rate risks arise in Kungsleden's business when financing is arranged with short maturity times. This causes uncertainty about the size of future financing costs.	Kungsleden carefully considers its level of fixed interest, among others things, to avoid paying the costs of any early redemption of fixed loans when property is sold or in conjunction with refinancing. In order to limit interest rate risk from changes in the market interest rate, interest rate derivatives are used in the form of interest rate swaps. An interest rate swap is an agreement between two parties to exchange interest payments with each other. In all of its swaps, Kungsleden has opted to pay a fixed rate in order to obtain a variable rate equal to Stibor 90 days with an agreed maturity. This thereby increases the fixed-rate period and the predictability of regular interest expenses.
LIQUIDITY RISK	The risk of not having access to liquid funds or credit facilities to meet current payment obligations	The size of the liquid financial assets and unutilised credit facilities should meet the need of transaction liquidity and demand for a liquidity reserve. At all times, liquidity must represent at least three months of payments, including interest payments and loan rollovers. Excess liquidity is primarily used to redeem interest-bearing loans as this produces better returns than investing money with credit institutions.
TAX RISKS	Changes to the regulations that govern corporate and property taxes, such as changing the deductibility of the interest or changes to the corporate tax rate, may affect the prospects for Kungsleden's operations both positively and negatively. Even a changed application to the existing rules and regulations, may be of great importance for the property sector and therefore for Kungsleden. ¹	Kungsleden works proactively when managing the Group's tax risks through clear integrated procedures and controls as well as working closely with other finance functions, management and the transaction team. The Group's tax risks and processes for these are communicated continuously between the Board and the Audit Committee. Complex tax issues are analysed together with external advisers. Property tax, which is based on the taxable value of property, is dependent on political decisions. This applies to the calculation base, the assessed value and the tax rate. Property taxes are normally passed on to tenants for leased space, while the tax on vacant premises is borne by the property owner.
RISKS IN PROPERTY VALUE CHANGES	Kungsleden reports its properties at fair value (market value), which has a direct impact on earnings and financial position. The value of the properties is affected by contract and customer structure as well as Kungsleden's own ability to improve and develop properties. External factors affecting supply and demand also impact the value, such as the state of the economy, interest rates, debt financing and yield requirements.	Kungsleden works actively with risk diversification in terms of premises and tenant categories, geography and contract size. An average contract length of five years means that changes to market rents will not have any immediate effect on rental revenue. The goal is a balanced portfolio risk with a limited influence from external factors. The valuation risk is limited by each property being valued individually, both internally and externally. Kungsleden's extensive transaction experience means that the valuation risk is limited.

1. For additional information about Kungsleden's tax situation and ongoing tax litigation, see Notes 3 and 10 or kungsleden.se/skatt

SENSITIVITY ANALYSIS CHANGES IN VALUE ON PROPERTY

	-10%	-5%	0%	5%	10%
Change in value before tax, SEK m	-1,961	-981	-	981	1,961
Equity ratio, %	35.2	37.4	39.5	41.4	43.3
LTV (loan-to-value), %	64.1	60.7	57.7	54.9	52.4

The table shows Kungsleden's earnings and financial position if the property value were to change +/- 5-10 per cent.

KUNGSLEDEN'S SHARE

Kungsleden's share has been listed on Nasdaq Stockholm, Mid Cap list, since 1999. Market capitalisation at year-end was SEK 10,823 million as a result of the Kungsleden's share having risen by close to 39 per cent since the beginning of the year. Furthermore, the rights issue that took place during autumn provided the company funding of approximately SEK 1,568 million. The rights issue increased the number of shares by a third to more than 182 million.

Kungsleden's share showed a positive trend in 2014. The price paid at the beginning of year was SEK 40.77 and at year-end, the closing price was SEK 56.50, corresponding to an increase of 39 per cent. The lowest price was recorded on 16 October at SEK 39.70. The highest price recorded was on 30 December at SEK 56.50. The dividend paid in April 2014 was SEK 1.25 per share.

SHARE CAPITAL AND TURNOVER

During the year, Kungsleden implemented a fully subscribed rights issue of ordinary shares that provided the company with capital of approximately SEK 1,568 billion after issue costs. The rights issue increased Kungsleden's share capital by SEK 18,958,620 (from SEK 56,875,860 to SEK 75,834,480) and the total number of shares increased by one-third or 45,500,688 (from 136,502,064 to 182,002,752 shares).

In 2014, 96 (106) million Kungsleden shares were traded with an aggregate value of SEK 4.5 (4.5) billion.

SHAREHOLDERS

The number of shareholders at 31 December 2014 totalled 18,663 (18,877). The ten largest shareholders controlled 34.3 (31.9) per cent of equity and voting rights at year-end. The largest shareholder is Gösta Welandson, whose holdings during the year increased to 13.3 (13.1) per cent.

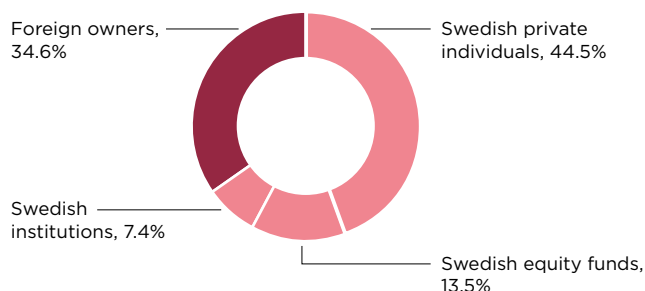
The proportion of foreign shareholders at the end of the year was 34.6 per cent, and Swedish shareholders represented 65.4 per cent.

DIVIDEND POLICY

The company's dividend policy is that dividends shall amount to 50 per cent of the profits from property management to reflect the long-term value creation in Kungsleden. Until Kungsleden's tax litigation is resolved, the dividend will be lower for reasons of prudence. For 2014, the Board proposes a dividend of SEK 1.50 per share, equivalent to 30 per cent of the profits from property management.

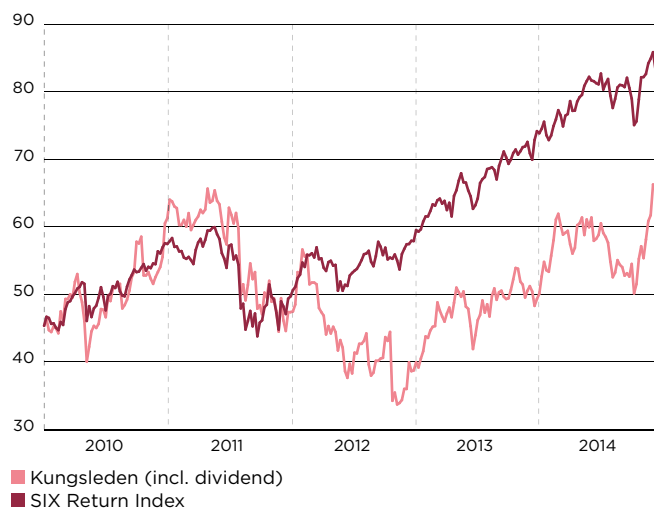
For share market contacts, share-related key figures and current ownership statistics and more, visit www.kungsleden.se

OWNERSHIP STRUCTURE 2014-12-31



SHAREHOLDERS AS OF 31 DECEMBER 2014	Number of shares	% of voting rights and capital
Welandson Gösta and companies	24,310,747	13.3
Länsförsäkringar funds	12,949,369	7.1
Norges Bank Investment Management	5,691,044	3.1
Florén Olle and companies	4,925,665	2.7
SHB funds	4,622,383	2.5
BlackRock Inc.	2,651,113	1.5
TR Property Investment Trust (GB)	2,313,514	1.3
Second Swedish National Pension Fund	1,967,390	1.1
Cohen & Steers funds	1,635,272	0.9
Avanza Pension Försäkringar AB	1,369,573	0.8
Total of ten largest shareholders	62,436,070	34.3
Board of directors and management	168,833	0.1
Foreign shareholders, other	50,682,009	27.8
Swedish shareholders, other	68,715,840	37.8
Total	182,002,752	100.0

TOTAL SHAREHOLDER RETURN 2010-2014, SEK



Source: SIX Financial Information

CORPORATE GOVERNANCE REPORT

Corporate governance is an important tool in our efforts to build long-term shareholder value. With a clear and transparent framework for accountability, reporting and monitoring, Kungsleden is focusing on the most important aspects and thereby limiting risks in operations.

In 2014, efforts intensified on implementing Kungsleden's new business strategy. A new and stronger organisation was built and transformation of the property portfolio continued at a high rate. The outcome from operating activities, as well as the valuation of the property portfolio were very satisfying, and are a consequence of the good work undertaken by the organisation and sound strategic decisions.

ONGOING RESTRUCTURING OF THE PROPERTY PORTFOLIO

The Board's work has been characterised by continuity, as the majority of the directors have been members for several years and are familiar with the background, goals and direction of the new business strategy. The new members who took office in the spring of 2014 have extensive property and financial expertise and have provided the Board with valuable input.

The Board monitored the implementation of the large acquisition of 84 properties from GE Capital Real Estate, and the sale of non-strategic properties. At year end, it was evident that Kungsleden had incorporated the new properties in a positive way. Furthermore, non-strategic properties had been sold for SEK 2,601 million and 65 per cent of the subsidiary, Nordic Modular Group, had been sold to Inter IKEA Investments. These actions made it possible for us to acquire new properties for SEK 2,666 million over the year. Kungsleden's position in the office segment was thus strengthened in the key metropolitan areas, with Kista Science City as the most prominent example. Kungsleden's total property portfolio reported a total return of 13 per cent (industry average 8.1 per cent) according to IPD measurements, which is proof that the new strategy really has created value for our shareholders.

FOCUS ON FINANCIAL PREPAREDNESS

Towards the end of the spring of 2014, Kungsleden suffered an adverse judgement in the penultimate tax process concerning transactions from the period 2004–2007 which the company has had to overcome in recent years. The outcome had an earnings and equity impact of around SEK 1.6 billion. Thanks to the conservative financial strategy that Kungsleden has observed in recent years, we were able to absorb this negative outcome, and all the relevant tax was paid in over the year. During 2015, we expect that the last of the historic tax processes will be settled.

With the help of models for financial planning that were developed over the previous year, the Board and its Finance Committee devoted a lot of attention throughout the year to analysing the effects on equity and liquidity of various scenarios. This work has formed the basis of the financial strategy Kungsleden is now following and which focuses on expansion with financial balance.

One important step was the Board's decision to propose a rights issue of ordinary shares during the autumn. We are pleased and grateful that shareholders have clearly wanted to participate in the rights issue, which added almost SEK 1.6 billion in funding and created the financial capacity to maintain a desirable high rate of expansion in the property portfolio.

Kungsleden is well positioned to pursue the new business strategy to achieve our long term goals and create increased shareholder value.



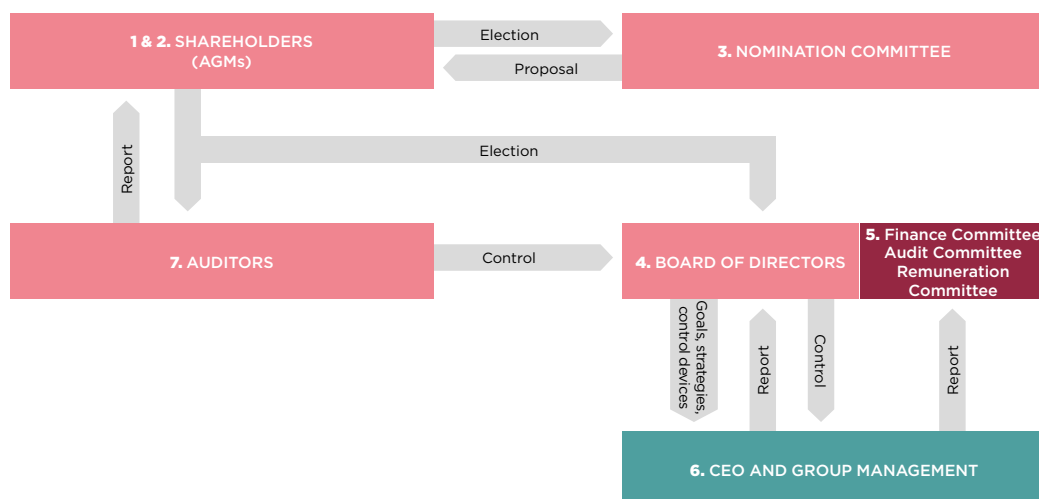
Göran Larsson, Chairman

As a listed company, Kungsleden has corporate governance that meets the requirements of the Companies Act, the Swedish Code of Corporate Governance (the Code) and Nasdaq Stockholm's regulations for issuers.

The company applies the principles of corporate governance that the AGM has adopted and that are incorporated in the Articles of Association and in the instructions for the Nomination Committee. These documents are available at Kungsleden's website. In addition to these, a series of instructions also applies for corporate governance as decided by the Board, including the rules of procedure for the Board, CEO instructions, instructions for financial reporting to the Board, instructions for the Board's committees, code of conduct, finance and communications policy.

IMPLEMENTATION OF THE CODE

The Code applies to all Swedish companies whose shares are listed for trading on a regulated market. In accordance with the principle of the Code "comply or explain", Kungsleden reports any deviations from the Code and justifies such deviations in its annual corporate governance report. In the 2014 financial year, Kungsleden deviated from the provision of the Code, on one occasion, regarding the quorate governing body of the Board at the extraordinary general meeting.



1. ANNUAL GENERAL MEETING

The AGM considers the issues arising from Kungsliden's articles of association and the Companies Act. Notice of the AGM is given on the basis of Kungsliden's articles of association. The AGM decides in accordance with the voting requirements as specified in the Companies Act. One shareholder in Kungsliden, Gösta Welandson with companies, owns shares directly or indirectly that represent at least one-tenth of the voting power of all shares in the company. Gösta Welandson with companies as per 31 December, 2014 had a holding of 13.3 per cent of the company's shares and votes.

The AGM for the financial year 2013 was held on 29 April, 2014. The AGM resolved on profit distribution, the appointment of directors, remuneration to directors and auditors, guidelines for remuneration to senior executives and the election of the Nomination Committee. The Chairman and the company's CEO presented information about the business, the work done by the Board and management, as well as events that occurred in 2013. The minutes of the AGM are available on Kungsliden's website.

The AGM for the financial year 2014 will be held on 23 April, 2015 at Hotel Rival in Stockholm. More information about the AGM is available at the end of this Annual Report and on Kungsliden's website.

Notice of the AGM will be available in English. The Board with respect to Kungsliden's ownership and what is economically viable has concluded that any other material for the AGM will only be produced in Swedish. For the same reason, remote participation or simultaneous interpretation of negotiations from the AGM will not be offered. After conducting the AGM, an audiovisual recording of the CEO's speech and the minutes of the AGM will be available on Kungsliden's website.

Learn more about Kungsliden's Annual General Meeting on www.kungsliden.se/agn

2. EXTRAORDINARY GENERAL MEETING

On 16 September 2014, Kungsliden held an Extraordinary General Meeting (EGM). The EGM decided to approve the Board's resolu-

tion to issue new shares with preferential rights to existing shareholders whereby the Board was authorised to determine the final terms of the offering. Three of the Board's seven members attended the EGM, which is a deviation from paragraph 1.3 of the Code on quorum of the Board at the meeting. The reason for the discrepancy was that several directors had previous scheduled engagements on the date of the EGM.

Learn more about Kungsliden's Extraordinary General Meeting on www.kungsliden.se/agn

3. NOMINATION COMMITTEE

The Nomination Committee submits proposals for the election of the Chairman of the AGM, the Board and its Chairman, as well as fees and other remuneration to Board Members. The Nomination Committee also proposed the election of auditors and fees for the audit. The Nomination Committee must look after the interests of all shareholders. The instructions for the Nomination Committee's work is available on the company's website.

The Nomination Committee members are elected at the AGM for a period extending until the next AGM. The Nomination Committee must consist of at least three and at most five members. Three of the members must represent the shareholders who, as of 31 January are among the largest shareholders (in terms of votes) and who also wish to participate in the nomination process along with the Chairman. If any significant changes occur to the ownership structure, the composition of the Nomination Committee can be changed to reflect this. At least one member must be independent of the company's shareholders in the manner specified in the Code. The composition of the Committee is published as soon as the Nomination Committee is appointed.

The 2014 Annual General Meeting saw the election of Eva Gottfridsdotter-Nilsson, Göran Larsson, Krister Hjelmstedt and Martin Jonasson as members of the Nomination Committee. Göran Larsson is also part of the Nomination Committee as Chairman of the Board. Eva Gottfridsdotter-Nilsson was appointed as the Chairman of the Nomination Committee.

Shareholders wishing to submit proposals to the Nomination

Committee can do so on the company's website or by sending an e-mail or letter to the Committee. The Nomination Committee's proposal and statement are presented on the company website no later than in connection with the issuance of the notice.

Nomination Committee

Composition in March 2015

- Eva Gottfridsdotter-Nilsson, nominated by Länsförsäkringar Fund Management, Chairman
- Göran Larsson, nominated by Gösta Welandson with companies, as Chairman of the Board at Kungsleden
- Krister Hjelmstedt, nominated by Olle Florén and companies
- Martin Jonasson, nominated by the Second Swedish National Pension Fund.

For more information about the Committee we refer you to www.kungsleden.se/election-committee

4. BOARD OF DIRECTORS

The composition of the Board is based on it being able to actively and effectively support management in the development of Kungsleden. The Board must monitor and govern operations. Expertise and experience in areas such as property business, finance, business development and capital market issues are particularly important assets of the Board.

According to the Articles of Association, the Board must consist of a minimum of three and a maximum of eight members with a maximum of two deputies. The Board Members and deputies are appointed at the AGM until the end of the next AGM. The 2014 AGM saw the re-election of Göran Larsson, Joachim Gahm, Lars Holmgren, Kia Orback Pettersson and Charlotta Wikström. Charlotte Axelsson and Liselotte Hjorth were newly elected. Former members Magnus Fernqvist and Peter Gustafson had declined re-election. No deputies were elected. The AGM elected Göran Larsson as Chairman. All Board Members are considered to be independent of the company and its management, while one of the members is considered dependent in relation to major shareholders according to the definitions of the Code.

The duties of the Board of Directors

The Board conducts its work based on the rules of procedure that are set annually. The rules of procedure regulate the Board and the CEO's responsibilities, the duties of the Chairman, how and when meetings are to take place, and the agenda for these meetings. The Board also adopts instructions for the work of the Board Committees and specifies the procedures for financial reporting to the Board.

The Board must meet at least nine times a year. Each meeting follows an approved agenda. Supporting documentation for each proposal on the agenda is sent in advance to all members.

The rules of procedure also dictate that the Board must ensure that Kungsleden's auditors personally meet with the Board at least once per year to present its findings from the audit of the company and its assessment of the company's internal control.

It is possible to submit proposals to the Board through www.kungsleden.se/board-of-directors

Responsibility of the Board of Directors

The Board is responsible for ensuring that the Company observes the Companies Act, the rules for listed companies (including the Code) and other ordinances and laws, statutes and internal control devices. The Board decides on strategies and objectives, internal control devices, larger property acquisitions and divestiture, other major investments and financing. The Board is responsible for continuously monitoring the business and ensuring that the guidelines, organisation and management are appropriate and that the internal controls are sound. The Board is also responsible for evaluating operational management and succession planning.

The Board works to ensure a high and consistent quality of financial reporting. This is achieved through instructions for financial reporting to the Board, through the communications policy and by taking into account any observations, recommendations or proposals from auditors or the audit committee.

The annual and interim reports are discussed and approved by the Board. The Board has delegated the responsibility of the task of ensuring the quality of financial presentations and press releases to senior management.

Chairman's responsibility

The Chairman heads the work of the Board and must ensure that Board decisions are implemented. The Chairman represents the company in owner-related issues.

The Chairman has an ongoing dialogue with the CEO and is responsible for other Board Members receiving the information and evidence they need to make informed decisions.

5. BOARD COMMITTEES

From its members, the Board has set up committees for Finance, Audit and Remuneration that are responsible for dealing with issues in each individual area. The work is based on instructions that have been drawn up for each Committee. The Board appoints members from within the Board to these committees.

6. GROUP MANAGEMENT

Corporate management consists of the Group management team, which as of March 2015 is comprised of the company's CEO, Deputy CEO/Chief Financial Officer, Head of Properties, Head of Transactions, Head of Development, Regional Managers, Head of Marketing and Communications and Chief Legal Advisor. They are responsible for their individual areas within Kungsleden and preparing, together with the CEO, reports for the Board. The CEO takes decisions on operating activities that fall within the scope of the CEO's instructions, following consultations with Group management.

Chief Executive Officer

Kungsleden's CEO is responsible for the practical management and coordination of operations. The CEO carries out this work on the basis of the CEO instructions, which are issued annually by the Board. The CEO's instructions state that the CEO is responsible for the company's management, reporting to the Board, and issues requiring decisions by or notification to the Board, such as the adoption of interim and annual reports and decisions on major acquisitions, divestiture, investments or allocations of resources, along with obtaining major funding or guarantees above a certain level.

7. EXTERNAL AUDITORS

The external auditors audit the Board and the CEO's management of Kungsleden and ensure financial statements are prepared in accordance with the applicable regulations. KPMG AB has been appointed as auditor of the parent company for the period up until the AGM in 2015. Authorised Public Accountant George Pettersson is chief auditor. In addition to the audit, KPMG has in recent years also provided advice on transactions, taxation and administration. Fees are paid according to an approved account. In 2014, the auditors' fees in the Group were SEK 3 (4) million.

Work conducted by the Board of Directors during 2014

The Board convened eighteen times in 2014. In addition, meetings were held by correspondence on six occasions in connection with buying and selling issues. Attendance at Board meetings is detailed below. Included among the matters the Board considered were Kungsleden's strategy, goals, business plan, market, external reporting, purchase and sale of property, investments in existing properties, valuation of properties, raising loans and other funding issues, the issue of new shares, the sale of the subsidiary Nordic Modular Group, the tax situation and principles for variable remuneration. At the Board meetings, the company's CEO, Deputy CEO and Chief Legal Advisor, who is also the secretary to the Board, were all present.

Finance Committee

The Finance Committee provides the work on financing with a special forum. The Committee is responsible for providing the Board with proposals on financing issues, financial goals in the short and long term, issues concerning the company's financial risks, hedging activities and other tasks within the scope of the company's finance policy. This includes proposals and recommendations pertaining to property-related investment issues such as purchases and sales of properties and investments in existing properties and new projects.

The Finance Committee that was elected at the inaugural meeting of the Board consists of Joachim Gahm (Chairman), Liselotte

Hjorth and Lars Holmgren. The Committee met on seven occasions in 2014. At the meetings, Kungsleden's CEO, CFO and Financial Manager were present.

Audit Committee

The Audit Committee provides the work of accounting and auditing with a special forum. The Committee works with Kungsleden's internal monitoring and control systems and quality assurance of external financial reporting. The Audit Committee also assists the Nomination Committee in the work to propose the appointment of auditors as well as proposals on audit fees.

The Audit Committee that was elected at the inaugural meeting of the Board consists of Göran Larsson (Chairman), Charlotte Axelsson and Lars Holmgren. The Committee met on four occasions in 2014. At the meetings, Kungsleden's Chief Financial Officer, Financial Manager and the company's external auditors were all present.

Remuneration Committee

The Remuneration Committee makes proposals to the Board regarding employment terms for the CEO, frameworks for remuneration to senior executives and fundamental issues regarding pensions, salaries, fees, benefits and severance pay. The Committee works on the basis of the guidelines for remuneration to senior executives that the AGM has determined.

The Remuneration Committee that was elected consists of Charlotta Wikström (Chairman), Göran Larsson and Kia Orback Pettersson at the inaugural meeting. The Committee met on five occasions in 2014. Kungsleden's CEO attended the meetings.

Evaluation of the work done by the Board

The Board conducts an annual evaluation of its work methods and procedures. The evaluation aims to ensure the proper functioning of the processes for information gathering, reporting, analysis, planning and decision making. The evaluation also aims to ensure that the Board has the necessary skills at its disposal. The results of the evaluation are reported to the Nomination Committee and form the basis for the nomination process.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS IN 2014	Board of Directors	Finance Committee	Remuneration Committee	Audit Committee
Göran Larsson	O 24/24		(O) 5/5	O 2/2
Charlotte Axelsson ¹	14/15			1/2
Magnus Fernqvist ²	7/9			
Joachim Gahm	21/24	O 7/7	2/2	
Peter Gustafson ²	9/9	2/2		
Liselotte Hjorth ¹	15/15	5/5		
Lars Holmgren	23/24	7/7		4/4
Kia Orback Pettersson	23/24		3/3	(O) 2/2
Charlotta Wikström	22/24		O 5/5	

O - Chairman of the Board/Committee
(O) - Chairman of the Committee until the AGM 2014
¹ Member from the AGM 2014
² Member up to the AGM 2014

Remuneration to the Board

Fees for the Board are in accordance with a resolution adopted at the AGM.

APPROVED FEES AGM 2014 (SEK)	Chairman	Board Member
Board of Directors	450,000	200,000
Committee	30,000	30,000

Remuneration to senior executives

The AGM annually adopts guidelines for remuneration and other terms of employment for senior executives. According to the guidelines adopted at the AGM 2014, Kungsliden shall offer remuneration levels and other conditions that are necessary to recruit and retain management with a high level of competence and capacity to achieve the set goals. Remuneration must motivate managers to do their utmost to safeguard the interests of shareholders.

Remuneration must therefore be competitive, as well as being simple, sustainable and measurable. The remuneration of management should normally consist of a fixed and a variable component. The variable component is designed to reward clear, goal-related improvements in simple and transparent structures and have a predetermined cap.

The fixed remuneration for management shall be competitively set and based on competence, responsibility and performance. Management's variable remuneration shall normally be within the range of 25–75 per cent of the fixed salary and related to the achievement of the budget, as well as goals for the company's and each segment's earnings level and growth.

The amount of remuneration paid in 2014 is detailed in Note 7. The proposed guidelines for remuneration and other conditions of employment that will be proposed for the AGM 2015 correspond to those adopted at the AGM 2014. According to the guidelines that will be proposed to the AGM in 2015, the maximum remuneration expense is estimated at SEK 43 million, including social security contributions and pensions. This amount is based on meeting all goals such that maximum variable remuneration is earned.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal control is important in order to ensure that the agreed goals and strategies provide the desired results, that laws and regulations are followed and that the risk of adverse events and errors in reporting are minimised.

The following describes responsibilities pertaining to the internal controls for financial reporting.

Control environment

The Board has overall responsibility for the company's internal control. The CEO has ongoing responsibility to ensure that internal control is maintained. Kungsliden's internal control rests on the control environment that the Board and management rely on, as well as decision-making channels, authorities and responsibilities that have been communicated within the organisation.

Risk assessment

An essential element of internal control is to obtain a clear picture of the risks of errors arising in the external reporting and ensuring that an organisation and processes are in place to manage these risks. Kungsliden works continuously and actively to identify, assess and manage the risks that the company faces in its financial reporting. Kungsliden is a process-oriented company and integrates risk assessment routines into its business processes.

An assessment of the risk of errors in financial reporting is conducted annually for each line of the income statement, statement of financial position and cash flow statement. For the items that are essential and/or have an increased risk of errors, processes in place to minimise this risk. The processes not only apply to the actual financial processes, but also include, among other things, business controls, business plan processes and IT systems.

One example of a governing document is the tool for monitoring operations that has been developed. Governing documents are used when making property acquisitions and property divestiture, for the overall monitoring of operations, and when making valuations.

Control activities

Kungsliden has designed its internal control to ensure that the control activities are carried out routinely, at a general level, or are of a more process-oriented nature. Examples of general controls are ongoing profit analyses based on operational and legal structures, and the analysis of key figures. Formal reconciliations, required signatures and similar controls are examples of procedural or process-oriented controls aimed at preventing, detecting and correcting errors and deviations. Control activities have been designed to manage the significant risks relating to financial reporting.

Information and communication

The Board receives ongoing financial reports and the Group's financial position is considered at each scheduled Board meeting. The company's auditors report their observations from the audit and give their assessment of the internal control once a year.

Kungsliden has a policy to ensure that employees anonymously and without penalty can contact a third party to report actions or other anomalies that signify a breach or suspected violation of laws or other guidelines and rules.

All information that may be price sensitive is communicated to the market via a press release. The company has ensured that the information reaches the market at the same time. The CEO and Deputy CEO are elected as spokespeople in financial matters.

Follow-up

The Board continuously requests assessments from management on the risks facing the business. The results are compiled in reports and reported to the Audit Committee.

Kungsliden has no internal audit function. The internal control is deemed to be satisfactory and suitable for an organisation of Kungsliden's size. Accordingly, the Board and management does not feel that an internal audit function is necessary.

BOARD OF DIRECTORS



Top row: Lars Holmgren, Charlotta Wikström, Joachim Gahm and Kia Orback Pettersson.
Bottom row: Liselotte Hjorth, Göran Larsson and Charlotte Axelsson.

GÖRAN LARSSON **CHAIRMAN OF THE BOARD**

Born 1944, Master of Political Science. Appointed to the Board in 2013. Other current assignments: Chairman of Hestra-Handsken AB, Hestraviken AB and Mappa Invest AB. Board Member at Bratt International AB. Independent: The member is considered independent of the company and its management but not independent in relation to the major shareholders. Holds 20,000 shares in Kungsleden.

CHARLOTTE AXELSSON **BOARD MEMBER**

Born in 1948, BSc Economics and Social Studies. Appointed to the Board in 2014. Other current assignments: Chairman of AFF Service AB and Vasallen AB. Board Member in the Foundation MHS-bostäder. Independent: The member is deemed to be independent of the company, its management and major shareholders in the company. Holds 1,333 shares in Kungsleden.

JOACHIM GAHM **BOARD MEMBER**

Born in 1964, MSc in Business and Economics. Appointed to the Board in 2011. Other current assignments: Chairman of Arise AB. Board Member of Catella AB. Independent: The member is deemed to be independent of the company, its management and major shareholders in the company. Holds 2,666 shares in Kungsleden.

LISELOTTE HJORTH **BOARD MEMBER**

Born in 1957, BSc Business Administration and Economics. Appointed to the Board in 2014. Other current assignments: Board Member of East Capital Explorer AB, Hoist Finance AB and White arkitekter Aktiebolag. Independent: The member is deemed to be independent of the company, its management and major shareholders in the company. Holds 6,666 shares in Kungsleden.

LARS HOLMGREN **BOARD MEMBER**

Born in 1952, Master's Degree in Chemistry and Industrial Management. Appointed to the Board in 2011. Other current assignments: Board Member of Cliens Kapitalförvaltning AB and Nordic Modular Group AB. Independent: The member is deemed to be independent of the company, its management and major shareholders in the company. Holds 6,666 shares in Kungsleden.

KIA ORBACK PETERSSON **BOARD MEMBER**

Born in 1959, MSc in Business and Economics. Appointed to the Board in 2010. Other current assignments: Chairman of Fastighetsbolaget Riksdalen, Svefa Holding AB, Teracom Boxer Group and Friskis&Svettis Riks. Board Member of JM AB and Odd Molly International AB. Independent: The member is deemed to be independent of the company, its management and major shareholders in the company. Holds 2,256 shares in Kungsleden.

CHARLOTTA WIKSTRÖM **BOARD MEMBER**

Born in 1958, MSc in Business and Economics. Appointed to the Board in 2009. Other current assignments: Board Member of Botrygg AB and Forsen Projekt Aktiebolag. Independent: The member is deemed to be independent of the company, its management and major shareholders in the company. Holds 14,666 shares in Kungsleden.

Details of shareholdings relate to holdings at 31 December 2014 and include holdings through companies and related parties.

GROUP MANAGEMENT



Top row: Malin Axland, Mats Eriksson, Eskil Lindnér, Biljana Pehrsson, Gert Ternström, Frida Stannow Lind and Marie Mannholt.
Bottom row: Nicklas Arfvidsson, Anders Kvist, Ylva Sarby Westman and Sven Stork.

BILJANA PEHRSSON, CEO

Born 1970. Employed since 2013. Previous experience: Deputy CEO/Head of Real Estate at East Capital Private Equity, CEO Centrumutveckling. Holds 18,000 shares in Kungsleden.

ANDERS KVIST, DEPUTY CEO AND FINANCE DIRECTOR/CFO

Born 1958. Employed since 2012. Previous experience: Head of Group Treasury at SEB, manager of asset management activities at DnB and Skandia and CEO of Skandia Liv. Holds 38,333 shares in Kungsleden.

NICKLAS ARFVIDSSON, REGIONAL MANAGER GOTHENBURG

Born 1975. Employed since 2005, in current post since 2008. Previous experience: Manager at Vasakronan, District Manager at ISS Facility Services. Holds 366 shares in Kungsleden.

MALIN AXLAND, LEGAL OFFICER

Born 1974. Employed since 2007, in current post since 2013. Previous experience: Lawyer at Mannheimer Swartling, law clerk at Huddinge District Court. Holds 266 shares in Kungsleden.

MATS ERIKSSON, REGIONAL MANAGER MÅLARDALEN

Born 1963. Employed since March 2015. Previous experience: Business Manager Retail Newsec Asset Management, Head of Property Development ICA Fastigheter AB, Business Area Manager at NIAM AB and Property Manager at Siab AB. Holds 0 shares in Kungsleden.

ESKIL LINDNÉR, HEAD OF PROPERTY MANAGEMENT

Born 1959. Employed since 1999, in current post since 2006. Previous experience: Property Manager, JM AB and Property Manager Nordbanken Fastigheter AB. Holds 39,330 shares in Kungsleden.

MARIE MANNHOLT, HEAD OF MARKETING AND COMMUNICATIONS

Born 1966. Employed since 2014. Previous experience: Senior consultant in property development at Mannholt Consulting, Marketing Manager/Senior Project Manager at Centrumutveckling, Marketing Manager at BMW/Rover, Regional Manager at Volvo Cars. Holds 2,666 shares in Kungsleden.

YLVA SARBY WESTMAN, HEAD OF TRANSACTIONS

Born 1973. Employed since 2009. Previous experience: Executive Deputy CEO at Newsec Investment AB, Property Development Manager at NCC Property Development AB. Holds 3,333 shares in Kungsleden.

FRIDA STANNOW LIND, HEAD OF DEVELOPMENT

Born 1967. Employed since 2010, in current post since 2013. Previous experience: Property Manager at Drott, Investment Manager at Niam, Property Manager at Ebab. Holds 2,953 shares in Kungsleden.

SVEN STORK, REGIONAL MANAGER STOCKHOLM

Born 1967. Employed since September 2014. Previous experience: Key Account Manager at Newsec Asset Management, Asset Manager at Niam AB, Project Manager at NCC Property Development AB. Holds 0 shares in Kungsleden.

GERT TERNSTRÖM, REGIONAL MANAGER, MALMÖ

Born 1962. Employed since 1999, in current post since 2003. Previous experience: Supervisor at Skanska AB and AB Interoc, construction engineer at JM Bygg AB, manager at JM Industrifastigheter AB. Holds 9,333 shares in Kungsleden.

Details of shareholdings relate to holdings at 31 December 2014 and include holdings through companies and related parties.

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FIVE-YEAR SUMMARY

Income statements, SEK m	2014	2013	2012	2011¹	2010¹
Net sales	2,193	1,669	1,583	2,047	1,606
Property costs	-703	-538	-538	-893	-665
Operating net	1,491	1,131	1,046	1,154	941
Selling and administration costs	-101	-115	-140	-171	-155
Net financial items	-660	-575	-528	-559	-618
Profits from property management	730	441	378	424	168
Profit (loss) from participations in Hemsö	-	-	-	413	465
Profit (loss) on property sales	73	8	16	56	25
Unrealised changes in value on investment properties	930	48	-20	291	5
Unrealised changes in value of financial instruments	-427	425	-70	-491	430
Profit (loss) before tax	1,306	922	304	693	1,093
Tax	-1,965	-169	-799	-55	-252
Profit (loss) for the year, continuing operations	-659	754	-495	638	841
<i>Discontinued operations</i>					
Nordic Modular, net after tax	63	84	53	-	-
Impairment loss on Nordic Modular	-157	-	-	-	-
Hemsö holding, net after tax	-	24	794	-	-
Profit (loss) for the year, continuing and discontinued operations²	-753	862	352	638	841
Statement of financial position, SEK m	2014	2013	2012	2011	2010
ASSETS					
Investment properties – properties	19,612	20,338	14,243	13,256	9,760
Investment properties – modular buildings	-	1,509	1,509	1,514	1,539
Property used in business operations	-	22	25	18	20
Other non-current assets	49	490	666	4,263	3,821
Other current receivables	142	286	372	1,176	2,761
Claim against Tredje AP-fonden	-	-	3,363	-	-
Assets held for sale – modular buildings and property used in business operations	1,428	-	-	-	-
Assets held for sale – other	372	-	-	-	-
Cash and bank	1,437	323	722	684	570
TOTAL ASSETS	23,040	22,968	20,900	20,911	18,471
EQUITY AND LIABILITIES					
Equity	9,102	8,453	7,726	7,719	7,357
Interest-bearing liabilities	11,313	12,879	9,704	10,654	8,469
Interest-bearing liabilities related to assets held for sale	362	-	-	-	-
Derivatives	1,134	708	1,125	1,156	759
Non interest-bearing liabilities	662	929	2,345	1,382	1,886
Non interest-bearing liabilities related to assets held for sale	467	-	-	-	-
TOTAL EQUITY AND LIABILITIES	23,040	22,968	20,900	20,911	18,471
Key ratios, SEK m	2014	2013¹	2012¹	2011¹	2010¹
PROPERTY RELATED					
Property yield, %	7.5	7.5	7.8	7.5	6.9
Economic occupancy rate, %	90.2	90.9	89.6	88.7	88.5
Operating surplus margin, %	68.0	66.1	65.5	64.5	65.1
FINANCIAL					
Return on total assets, %	6.6	5.4	8.8	7.4	6.8
Return on equity, %	Neg.	10.7	4.6	8.5	11.7
Interest coverage ratio, multiple	2.2	1.9	2.7	2.3	1.9
Equity ratio, %	39.5	36.8	37.0	36.9	39.8
LTV (loan-to-value), %	57.7	58.9	61.5	67.9	69.3
PER SHARE INFORMATION					
Dividends (paid), SEK	1.25	1.00	2.60	2.00	3.75
Profits from property management (excl. share of Modular and Hemsö), SEK	5.02	4.02	3.26	3.11	1.23
Profit (loss) for the year, SEK	-5.18	6.31	2.60	4.70	6.16

- As of 2014, Nordic Modular has been moved within the income statement and is shown separately as discontinued operations. Recalculation has been applied retroactively for 2013 and 2012, but not for the years 2011 and 2010, where Nordic Modular is included in the profit (loss) from continuing operations.
- All of the profit (loss) for the year is attributable to the Parent Company's shareholders.

CONSOLIDATED INCOME STATEMENT

SEK m	Note*	2014	2013
Rental revenue	5	2,193	1,669
Property costs	8	-703	-538
Operating net		1,491	1,131
Selling and administration costs	6, 7, 8	-101	-115
Net financial items			
Financial income	9	11	18
Interest expenses	9	-630	-554
Other financial expenses	9	-41	-40
		-660	-575
Profits from property management	8	730	441
Changes in value of investment properties			
Profit (loss) on property sales		73	8
Unrealised changes in value	14, 15	930	48
		1,003	56
Unrealised changes in value of financial instruments	9	-427	425
Profit (loss) before tax		1,306	922
TAX			
Current tax	10	-1,610	-12
Deferred tax	10	-355	-156
		-1,965	-169
Profit (loss) for the year, continuing operations		-659	754
Discontinued operations			
Profit (loss) from Nordic Modular, net after tax ¹	11	63	108
Impairment loss on Nordic Modular	11	-157	
Profit (loss) for the year, continuing and discontinued operations²		-753	862
Earnings per share, continuing operations³	12	-4.53	5.52
Earnings per share, continuing and discontinued operations³	12	-5.18	6.31

* Notes that were referred to are provided starting on page 48.

1. Profit (loss) for 2013 includes the profit from the Hemsö holding of SEK 24 million for the period Jan-March 2013.
2. All of the profit (loss) for the year is attributable to the Parent Company's shareholders.
3. There are no dilutive instruments.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK m	2014	2013
Profit (loss) for the year, continuing and discontinued operations	-753	862
Other comprehensive income		
Translation gains (losses) for the year, on consolidation of foreign operations	4	1
Comprehensive income for the year¹	-749	863

1. All of the profit (loss) for the year is attributable to the Parent Company's shareholders.

COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

Profit (loss) for the year changed from SEK 862 million to SEK -753 million. The lower outcome is primarily due to the fact that profit was impacted by a provision for tax rulings of SEK -1,640 million. Operating net increased by 32 per cent to SEK 1,491 (1,131) million and profits from property management increased by 66 per cent to SEK 730 (441) million. The reason is larger property holdings, resulting in a situation where rental revenue increased more than property and financing costs.

PROPERTY MANAGEMENT

Rental revenue increased during the year to SEK 2,193 (1,669) million. The increase is primarily due to larger property holdings. Property costs increased to SEK -703 (-538) million, which is an increase that is primarily attributable to larger property holdings. Altogether, operating net thus rose by 32 per cent to SEK 1,491 (1,131) million.

SELLING AND ADMINISTRATION COSTS

Selling and administration costs amounted to SEK -101 (-115) million, which corresponds to a 12 per cent decrease.

FINANCIAL INCOME AND EXPENSES

Net financial items amounted to SEK -660 (-575) million. Interest costs increased to SEK -630 (-554) million because the loan volume, on average, was higher during 2014 than it was over the previous year due to new borrowing for major property acquisitions at the end of 2013. Financial income decreased by SEK 7 million to SEK 11 (18) million.

CHANGES IN VALUE OF INVESTMENT PROPERTIES

Profit from property sales was SEK 73 (8) million from the 66 properties that were relinquished in 2014, along with final reconciliation on prior sales.

Change in value for investment properties was SEK 930 (48) million. The change in value is a result of investments that were made in the property portfolio, improved operating net and lower yield requirements.

CHANGES IN VALUE OF FINANCIAL INSTRUMENTS

Changes in the value of financial instruments was SEK -427 (425) million. This is primarily an effect of the decline in long-term market interest rates, resulting in falling market values for interest rate derivatives.

TAX

Tax on profit for the year was SEK -1,965 (-169) million. Compared to last year, tax expense increased due to the charge of SEK -1,640 for concluded tax processes, where the ruling was against Kungsleden.

DISCONTINUED OPERATIONS

Nordic Modular is reported as "held for sale" on a separate line, Discontinued operations. Because Kungsleden owned Nordic Modular throughout 2014, this item consists 100 per cent of Nordic Modular results. During the period, rental revenue was SEK 275 (262) million, with an operating net of SEK 152 (145) million.

The entire shareholding in Nordic Modular Group at year-end was valued at the price agreed for the sale of 65 per cent of the shares to Inter IKEA Investments, which was finalised in January 2015. As a result, there was an impairment loss of SEK 157 million.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK m	Note*	2014/12/31	2013/12/31
ASSETS			
<i>Non-current assets</i>			
Goodwill	13	-	201
Investment properties – properties	14	19,612	20,338
Investment properties – modular buildings	15	-	1,509
Property used in business operations	16	-	22
Equipment	17	8	15
Deferred tax receivable	10	31	35
Other non-current receivables	18	9	239
Total non-current assets		19,661	22,359
<i>Current assets</i>			
Inventories		-	15
Accounts receivable		16	97
Other receivables		44	91
Prepaid expenses and accrued income		82	84
Assets held for sale – modular buildings and property used in business operations		1,428	-
Assets held for sale – other		372	-
Cash and bank		1,437	323
Total current assets		3,379	610
TOTAL ASSETS		23,040	22,968
EQUITY AND LIABILITIES			
<i>Equity</i>			
Share capital		76	57
Other contributed capital		2,922	1,373
Translation reserve		3	-1
Retained earnings (including net profit (loss) for the year)		6,101	7,024
Equity	19	9,102	8,453
<i>Interest-bearing liabilities</i>			
Liabilities to credit institutions		9,613	10,579
Bond loans (unsecured)		1,699	2,299
Liabilities related to assets held for sale		362	-
Total interest-bearing liabilities	20, 23, 24	11,675	12,879
<i>Non interest-bearing liabilities</i>			
Provisions	21	5	60
Accounts payable		141	161
Income tax liability		13	-
Derivatives	20, 24	1,134	708
Other liabilities	22	37	38
Accrued expenses and deferred income		467	671
Liabilities related to assets held for sale		467	-
Total non interest-bearing liabilities	23, 24	2,264	1,637
TOTAL EQUITY AND LIABILITIES		23,040	22,968

* Notes that were referred to are provided starting on page 48.

For information on pledged assets and contingent liabilities for the Group, see Note 25.

COMMENTS ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Property holdings declined somewhat due to property divestiture. Equity increased due to the rights issue during the year, resulting in an improved equity ratio of 40 per cent. Total assets as of 31 December 2014 were SEK 23 billion.

PROPERTY HOLDINGS

As of 31 December 2014, property holdings consisted of 305 (366) properties. The total area was 2,592 (2,820) thousand sq. m. and the book value of the properties was SEK 19,612 (20,338) million. The change in book value is due to property sales for SEK -2,379 million, acquired properties that have been accessed for SEK 386 million, investments in existing properties for SEK 334 million and unrealised changes in value for SEK 930 million.

Development of property holdings, SEK m	2014
Property at beginning of the year	20,338
Purchases	386
Investments	334
Sales	-2,379
Exchange rate fluctuations	3
Changes in value	930
Property at year-end	19,612

DEFERRED TAX

Deferred tax is net of a tax asset of SEK 31 million. Tax assets amount to approximately SEK 494 million and they pertain to assessed loss carry-forwards and tax on the book value of undervalued interest rate derivatives. Deferred tax liability pertains primarily to properties, with SEK 463 million relating to the difference between the book value and residual value for tax purposes.

EQUITY

As of the end of the period, equity was SEK 9,102 (8,453) million, or SEK 50 (62) per share, with a corresponding equity ratio of 40 (37) per cent.

INTEREST-BEARING LIABILITIES

The value of the loan portfolio at the start of the year was SEK 11,675 (12,879) million. During the year, there was loan amortisation amounting to a gross amount of SEK -2,554 (-2,410) million, which was possible due to Kungsleden's good liquidity position. New loans were obtained during the year for a gross amount of SEK 1,350 (4,845) million.

Interest-bearing liabilities, SEK m	2014
Liabilities at the beginning of the year	12,879
New loans	1,350
New loans via company acquisitions	0
Amortisation	-2,554
Liabilities at year-end	11,675

The average remaining maturity on utilised credit as of the end of the year was 2.6 (2.4) years. LTV for the year decreased slightly and was 58 (59) per cent. Besides the Company's interest-bearing liabilities at year-end, there was also unutilised credit of SEK 1,793 million.

DERIVATIVES

The negative market value (undervalue) of derivatives, primarily interest rate swaps, was SEK -1,134 million as of 31 December 2014, compared to SEK -708 million at the beginning of the year. The negative change in value is primarily due to the decline in long-term interest rates, which, to a certain extent, was counterbalanced by the regular interest payments on swaps.

OTHER LIABILITIES

Other liabilities at year-end amounted to SEK 37 million, which is essentially the same as at the beginning of the year.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK m	Share capital	Other contributed capital	Translation reserve	Accumulated profit or loss	Total equity
Equity as of 2013/01/01	57	1,373	-2	6,298	7,726
Comprehensive income for the year			1	862	863
Dividends				-137	-137
Equity as of 2013/12/31	57	1,373	-1	7,024	8,453
Equity as of 2014/01/01	57	1,373	-1	7,024	8,453
Comprehensive income for the year			4	-753	-749
Dividends				-171	-171
Rights issue ¹	19	1,549			1,568
Equity as of 2014/12/31	76	2,922	3	6,101	9,102

1. Costs for the new emission amount to SEK 24 million.

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK m	Note	2014	2013
OPERATIONS			
Profit (loss) before tax		1,306	922
Profit (loss) on property sales		-73	-8
Unrealised changes in value		-504	-473
Cash flow from Nordic Modular and Hemsö (discontinued operations)		246	132
Other adjustments not included in cash flow from operating activities		-1	31
Tax paid		-1,483	-124
Cash flow from operating activities	26	-509	480
<i>Changes in working capital</i>			
Increase(-)/decrease(+) in inventories		15	2
Increase(-)/decrease(+) in operating receivables		-16	116
Increase(+)/decrease(-) in operating liabilities		728	-5,246
		727	-5,128
Cash flow from operating activities after change in working capital	26	218	-4,648
INVESTING ACTIVITIES			
Acquisition of properties (direct acquisition)		-1	-62
Investments in existing properties		-458	-221
Sale of properties (direct sale)		72	93
Acquisition of subsidiaries		-51	-1,241
Sale of subsidiaries		1,105	1,874
Purchase of equipment		-7	-6
Sale of equipment		3	2
Divestment of long-term loans that were made		0	1,500
Investment in other financial assets		-24	0
Repayment of other financial assets		212	22
Cash flow from Nordic Modular		-122	-
Cash flow from investing activities	26	730	1,961
FINANCING ACTIVITIES			
New loans		1,350	4,845
Repayment of loan		-2,554	-2,420
Rights issue		1,568	-
Dividends		-171	-137
Cash flow from Nordic Modular		-30	-
Cash flow from financing activities	26	164	2,288
CASH FLOW FOR THE YEAR			
Cash equivalents at the beginning of the year		323	721
Exchange rate differences on cash equivalents		3	1
Cash equivalents at year-end	26	1,437	323

COMMENTS ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

Total cash flow for the year was SEK 1,112 million, corresponding to the change in Cash and bank balances, which amounted to SEK 1,437 (323) at year-end.

Cash flow in a property company is primarily related to the size of property holdings. Cash flow from operating activities consists of profits from property management, adjusted for a number of items that do not impact cash flow, plus tax payments.

During 2014, the cash flow from business activities increased significantly. However, cash flow from operating activities was negative due to tax payments on concluded tax processes, where the ruling was against Kungsleden.

The change in working capital of SEK 727 (-5,128) was primarily

related to property divestiture. Last year's negative change was due to settlement of operating liabilities relating to the acquisition of GE.

Investing activities vary from year to year, since Kungsleden is a net buyer of properties in some years and a net seller in others. For 2014, cash flow from investing activities was SEK 730 (1,961) million due to high property sales during the year. The cash flow from financing activities was SEK 164 (2,288) million. The new share issue exceeded the amount of net amortisation of loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 GROUP ACCOUNTING PRINCIPLES

APPLIED STANDARDS AND LEGISLATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) along with interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Commission for application within the EU. The Company has also applied recommendations from the Swedish Financial Reporting Board, RFR 1 Supplementary Accounting Rules for Groups.

CHANGES IN ACCOUNTING PRINCIPLES 2014

During the year, changes were made in the presentation of the income statement compared to prior years. The subtotals, Net Sales and Gross profit are no longer reported, having been replaced by Operating net. This is a result of the reporting for Nordic Modular as an asset "held for sale", which is reported on a separate line, Discontinued operations, in accordance with IFRS 5, Non-current Assets Held for sale and Discontinued Operations. Discontinued operations are reported on the last row of the income statement. This is reported in the balance sheet on a separate line both on the assets and liabilities side.

The following amended and new application interpretations of accounting principles have been applied without there being any impact on the consolidated financial statements: IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 Separate Financial Statements, IAS 28 Investments in Associates and Joint Ventures. Changes to IAS 36, Impairment of Assets, has to do with additional disclosure requirements which do not apply to the Group and changes to IAS 39, Financial Instruments, concerning changes relating to financial counterparties in derivative transactions, which is not applicable to the Group.

IFRS not yet applied

The following IFRS have been published, but have not yet come into force, and have not been applied, at the time when this financial report was prepared.

- IFRS 9 Financial Instruments, will be applied as of 2017.
- IFRS 14 Regulatory Deferral Accounts, is not anticipated to affect the Group.
- IFRS 15 Revenue from Contracts with Customers, will be applied as of 2018.
- IFRIC 21 Levies, contains guidance on when to recognise a liability for a levy imposed by a government, along with identifying the obligating event for the recognition of a liability as the activity that triggers the payment of the levy. The statement must be applied as of 2015 and it means that liabilities on property tax must be reported in full as of 1 January of each year. Expense recognition, however, does not change, and is accrued over the year. Because of this change in principle, the balance sheet total will increase during the year, but not at year-end.

Of the new standards listed above, only IFRIC 21 has been approved by the EU. The new standard, IFRS 15, requires retroactive application. The other standards, however are applied prospectively and thus have no effect on reports that were prepared before they came into force. At present, none of the new IFRS are expected to have a significant impact on the consolidated financial statements.

Additionally, minor changes have occurred in the following applicable recommendations: IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 19 Employee Benefits, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures. These amendments are not expected to have a significant impact on the consolidated financial statements.

REQUIREMENTS WHEN PREPARING FINANCIAL STATEMENTS

The Parent Company's functional currency is the Swedish Krona (SEK), which is also the reporting currency for the Group. Unless otherwise stated, all amounts are SEK million. Assets and liabilities are reported at historical cost, with the exception of investment properties and financial instruments, which are valued at fair value. Changes in fair value are recognised in the income statement.

In order to prepare the financial statements in accordance with IFRS, it is necessary for the Company's top management team to make assessments and estimates, as well as assumptions that affect how the accounting principles are applied and the reported amounts for assets, liabilities, income and expenses. The estimates and assumptions are based on historical experiences and several other factors that are deemed to be reasonable under the current circumstances. The outcome of these estimates and assumptions is then used when determining the carrying amounts of assets and liabilities when such amounts are not otherwise clearly provided by other sources. The actual results may deviate from these estimates and assessments.

The estimates and assumptions are regularly reviewed.

Assessments made by the Company's top management team when applying IFRS, which have a significant impact on the financial statements, and estimates that were made are described in more detail in Note 3.

CLASSIFICATION, ETC.

Kungsliden's operations are primarily comprised of managing a large number of properties that are leased to independent tenants. Typically, rental agreements are initially drawn up for a three-year period. However, the rental period can vary, sometimes with a term of more than 20 years. If the intention is to renew the contract, the Company enters into renegotiations with the tenant before the contract expires on the level of rent and other terms and conditions. However, after the initial contract term, it is difficult to know how long the contract will run and at any time, there are a large number of separate contracts in effect with varying terms. Determining Kungsliden's business cycle is thus a difficult task. It is also difficult to determine how long a property will be held. Because of that, assets and liabilities are presented in the statement of financial position in the order of highest to lowest liquidity, since that provides information that is reliable and relevant to the business.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements provide information on the Parent Company, subsidiaries and joint ventures. Subsidiaries are companies in which the Parent Company is able to exert a controlling influence. A controlling influence exists if the Parent Company has influence over the investment object, is exposed to, or has the right to a variable return from its involvement and when it can use its influence over the investment to impact the return. When assessing whether a controlling influence exists, consideration is given to whether potential voting rights and de facto control exist.

The consolidated financial statements have been prepared in accordance with the acquisition method, which means that assets, liabilities and contingent liabilities are measured at fair value at the acquisition date based on the acquisition analysis. The revenue and expenses of acquired companies are included in the consolidated financial statements as of the time when they were taken over. The income statements of divested companies are included until the date when they are relinquished.

Intra-group receivables, liabilities, revenues or expenses and unrealised gains and losses attributable to intra-Group transactions between Group companies are fully eliminated when the Consolidated Financial Statements are prepared.

Joint ventures

Joint ventures are companies over which the Group has a joint controlling interest over operations and financial governance because the Group has entered into a cooperation agreement with one or more partners. Holding in joint ventures are reported in the consolidated financial statements in accordance with the equity method. The equity method involves reporting the share in the joint venture's profit or loss on a separate line in the income statement. It also involves reporting the share of the joint venture's other comprehensive income in the Group's statement of other comprehensive income. Share of the investee's other comprehensive income is also reported as an asset on a separate row in the statement of financial position.

Translation of foreign operations

The financial statements of each foreign subsidiary are presented in the local currency where operations take place. The Group's financial statements are presented in SEK. Income statements and balance sheets of foreign operations are translated to SEK in accordance with the current method. This means that the balance sheets are translated using the exchange rate in effect on the closing date. Equity, however, is translated using the historical rate. The income statements of foreign operations are translated using the average exchange rate for the period. The resulting exchange rate differences are reported directly to equity as translation gains (losses) on consolidation. Forward exchange contracts can be used to lower currency exposure on property investments in foreign countries. In such cases, hedge accounting is applied. This means that exchange differences are reported directly to equity in order to counter-balance the effect of translation gains (losses) on foreign investments.

The following exchange rates have been used for translation:

SEK	Average exchange rate		Closing day rate	
	2014	2013	2014/12/31	2013/12/31
EUR	9.39	8.65	9.52	8.94
DKK	1.26	1.16	1.28	1.20
NOK	1.05	1.11	1.05	1.06
PLN	2.23	2.06	2.21	2.15

STATEMENT OF CASH FLOWS

The statement of cash flows was prepared in accordance with the indirect method, as stipulated in IAS 7 Statement of Cash Flows.

ACQUISITIONS AND DIVESTMENTS

An acquisition or divestment is reported as of the point when it is taken over or relinquished. Between the sales date and payment date, the receivable or liability to the counterparty is reported gross under receivables or other liabilities, respectively.

ASSET ACQUISITION

In recent years, it has become increasingly common to conduct property transactions indirectly, using a company with property holdings, instead of a direct property transaction. Properties are often purchased via a company acquisition. Reasons for this include avoidance of the stamp duty that is otherwise payable on property transfers and because a company sale (compared to a direct property sale) has certain tax advantages for the seller. For asset acquisition via a company, the acquisition is dealt with as if the property had been directly purchased. This type of acquired company typically does not have any employees, organisation or other operations besides what is directly attributable to the property holding. The cost of acquisition corresponds to the fair value of assets and any loans that are included. Deferred tax is not reported as a liability on the surplus value attributable to the acquisition. Any resulting deduction for deferred tax, in excess of the reported tax in the purchased company, is reported as a deduction from the fair value of the purchased property, both at the time of acquisition and future reporting occasions.

For direct sale of a property, where all of the temporary differences have not been recognised, a tax expense will arise when there is a sale at book value. If the sale is done via a company instead, which is typically the case, the buyer and seller typically reach agreement on a price reduction corresponding to just part of the difference between the residual value for tax purposes and the agreed property value. This means that tax income for accounting purposes arises if there is a deferred tax liability reported which exceeds the agreed-upon deduction from the deal. Likewise, a tax expense will arise if the deduction is higher than the reported tax liability.

BUSINESS ACQUISITIONS

In accordance with IFRS 3 Business Combinations, Kungsliden applies the acquisition method for acquisition where it obtains controlling interest over one or more, essentially independent businesses. The identifiable assets, liabilities and contingent liabilities of the purchased unit are recognised at fair value at the time of acquisition and profit or loss attributable to the acquired business is included as of the closing date for the deal. Deferred tax for any surplus value attributable to the acquisition is reported as a liability based on the nominal tax rate. The difference between deferred tax based on the nominal tax rate and the value that the temporary difference was valued at in the acquisition analysis is reported as goodwill. Transaction costs are expensed as administration expenses in conjunction with the acquisition.

When there is acquisition of additional shares in a company causing Kungsliden to gain a controlling influence, the prior shares are revalued at fair value through profit or loss. If, however, the acquisition concerns additional shares in a company that had already been consolidated in the past, the difference between the purchase sum and net value as of the closing date for the transaction is reported as an ownership transaction directly to equity. When there is partial sale of a Group company, but controlling interest in that company is retained, any difference between the sales price and the value of the sold share is reported as an ownership transaction directly to equity. When there is partial sale of a Group company and the controlling interest is lost, a capital gain (loss) is reported and there is revaluation of the remaining holdings in the income statement.

The number of business combinations is typically low. During the year, Kungsliden was not involved in any business combinations.

OPERATING SEGMENTS

An operating segment is a segment of the Group that engages in business activities from which it may earn revenues and incur expenses and for which discrete financial information is available. The results of an operating segment are followed up by the highest authoritative decision-makers (Group management team) in order to evaluate the results and be able to allocate resources to the operating segment. Please refer to Note 4 for more information about how operating segments are determined and a presentation of the Company's operating segments.

REVENUE

Rental agreements are classified as operating lease agreements, with the property remaining in Kungsliden's ownership even for lease terms in excess of 20 years.

Income recognition for rental revenue from investment properties is made on a linear basis and recorded in profit (loss) for the year based on the terms in the leasing contract. Any benefits received are recorded on a linear basis as a reduction in rental revenue over the leasing period.

Revenue from property sales is typically reported on the closing date of the transaction, unless the risks and benefits are transferred to the buyer prior to that date. Control over the asset may have been transferred prior to the transaction closing date and if so, revenue is recognised for the property sale at that prior date. When assessing income recognition requirements, consideration is given to what has been agreed by the parties concerning risks and benefits, along with involvement in ongoing management. Additionally, consideration is given to circumstances that could impact the transaction, which are beyond the control of the seller and/or purchaser.

FINANCIAL INCOME AND EXPENSES

Interest income and interest subsidies are recognised in the period when they arise. Interest and financial expenses relating to new construction are capitalised during the construction period. Such expenses relating to extensions and conversions, however, are expensed on an ongoing basis, since they are lower and the execution time is typically shorter. Derivatives are used for the purpose of achieving the desired fixed-interest term. Revenue and expenses on derivatives are recognised on an ongoing basis. Revenue and expenses for settlement and renegotiation of derivatives, as well as early redemption fees, are expensed as incurred. Interest income and interest expense on financial instruments are reported in accordance with the effective interest method. The effective interest rate is the rate that discounts future estimated payments made and received during the expected term of a financial instrument to the financial asset's or liability's reported net value.

INCOME TAX

In the income statement, current and deferred income tax is reported for Swedish and foreign Group companies. However, when the underlying transaction is reported directly to equity, the associated tax effect is also reported to equity. The Group companies are taxable under the current legislation of the country where operations are conducted. The tax rate in Sweden, since 1 January 2013, is 22.0 per cent. Current tax is calculated based on reported profit for accounting purposes, adjusted for non-deductible items (added back) and non-taxable income (deducted). Income tax is reported in accordance with the balance sheet method, which means that deferred tax is calculated on the identified temporary differences between the taxable base and carrying amount of assets and liabilities. Temporary differences arise primarily for properties, financial instruments and tax allocation reserves. Temporary differences are valued at the nominal tax rate and the change since the prior closing date are recognised in profit or loss as deferred tax. Deferred tax assets are recognised for deductible temporary differences and loss carryforwards to the extent that it is probable they can be utilised. The carrying amount of deferred tax assets is reduced when it is no longer probable that they can be utilised.

When there is an acquisition of shares in subsidiaries, the acquisition is reported as either a business combination or an asset acquisition. For business combinations, deferred tax at the nominal interest rate, without discounting in accordance with the principles above, is recognised. For asset acquisitions, there is no recognition of separate deferred tax at the acquisition date. Instead, the asset is reported at cost, which corresponds to the asset's fair value less any discount for non-deductible cost of acquisition for tax purposes.

EMPLOYEE BENEFITS

Employee remuneration, such as salaries and social security expenses, vacation and paid sick leave, etc. is recognised at the rate that it is earned. Pension obligations are secured through defined contribution pension plans or ITP. Defined contribution pension plans are plans where the Company's obligations are limited to the fees that the Company has undertaken to pay. In such cases, the size of the employee's pension depends on the fees that the Company pays into the plan, or to an insurance company, along with the return generated from the fees. Accordingly, the employee is the one who bears the actuarial risk (that the benefits will be lower than expected) and the investment risk (that the invested assets will not be enough to generate the expected benefits). The Company's obligations related to fees for defined contribution pension plans are recognised in profit or loss for the year at the rate that employees provide services to the Company during a period. In accordance with a statement from the Swedish Financial Reporting Board's Emerging Issues Task Force, an ITP pension plan secured via insurance with Alecta is reported as a defined contribution plan providing that the ITP plan has not been altered from its basic design.

Remuneration expenses in conjunction with termination of employment are reported only if the Company is demonstrably committed and lacking any realistic possibilities to withdraw such notice and when there is a formal, detailed plan to terminate employment before it would otherwise expire. When remuneration is offered to encourage voluntary termination, a cost is recognised if it is likely that the offer will be accepted and if the number of employees likely to accept the offer can be reliably estimated.

LEASES

Kungsliden is considered to be a major lessor based on the fact that its rental agreements are classified as operating lease agreements. See the Revenues section, above.

Kungsliden has entered into a number of operating leases as lessee for site leaseholds and office machines. The total amount of these agreements is not significant. Since the economic risk remains with the lessor, all rental, site leasehold and other leases with this characteristic are classified as operating lease agreements. Costs are expensed as incurred.

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are translated using the exchange rate in effect on the transaction date. Monetary assets and liabilities in foreign currencies are translated using the closing day rate, at which time exchange rate differences are expensed. Exchange rate differences pertaining to oper-

ating receivables and liabilities are reported as part of operating profit, whereas exchange rate differences attributable to financial assets and liabilities are reported in net financial items.

TRANSACTIONS WITH RELATED PARTIES

Market terms and market prices are used when services are rendered between Group companies and with other related companies and parties.

INTANGIBLE ASSETS

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated among cash-generating units and it is tested annually for impairment.

PROPERTIES

Property is initially recognised at the cost of acquisition. After that, costs for investments are capitalised if they will result in future economic benefits and if the expenditure can be reliably measured. There is cost capitalisation pertaining to replacement of entire, or parts of, identified components, as well as expenditure that results in the creation of new components. In the consolidated financial statements, property is then valued at fair value in accordance with the methods described below. Other additional expenses are expensed in the period in which they arise.

Investment properties

Buildings and land that are owned or leased through a finance lease for the purpose of generating rental revenue and/or value appreciation, are classified in the consolidated financial statements as investment properties. Investment properties are presented in the Statement of financial position, allocated among properties and modular buildings. In accordance with IAS 40, investment properties are measured at fair value in the Statement of financial position. During the financial year, there is ongoing revaluation based on internal valuations. Please see Note 14 for more information on valuation methods. Note 3 also includes information on considerations regarding the valuation of properties. For purchase of property via a company (asset acquisition), any resulting deduction for deferred tax, in excess of the reported tax in the purchased company, is reported as a deduction from the fair value of the purchased property, both at the time of acquisition and future reporting occasions.

In accordance with IAS 40 Investment Property, buildings that are under construction for future use as investment properties are measured at fair value. The basis for the valuation is estimates of future cash flows and the amount for which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. However, property under construction is more difficult to value than existing property. This is because it is not possible to establish the final cost and you can only estimate the time remaining until the property can be used/leased.

Property used in business operations

Properties where a significant amount of the space can be used for providing services or for administration purposes within the Group are classified as property used in business operations. Reporting is in accordance with IAS 16 Property, Plant and Equipment. Property used in business operations is recognised at cost less depreciation according to plan over the assessed useful life. The period of depreciation varies between 10 and 100 years, depending on which property component it refers to. As of the closing date, three factory buildings existed in the Kungsleden Group, which were classified as property used in business operations. These factory buildings belong to Nordic Modular and they have been reported as discontinued operations. Depreciation is reported on the line item, Profit (loss) from Nordic Modular, net after tax.

Assets held for sale

When an asset (or divestment group) is classified as held for sale, it means that the carrying amount will be recovered primarily via a sale, not from use.

Immediately prior to classification as held for sale, the carrying amount of the assets (or all assets and liabilities belonging to the divestment group) is established in accordance with the applicable standards. At initial classification, assets held for sale are valued at the carrying amount or fair value (whichever is lowest), less selling expenses. Three asset types, individual or belonging to a divestment group, are exempt from these valuation rules. They are: deferred tax assets, financial assets covered by IAS 39 and investment property measured using the fair value method in accordance with IAS 40.

In order for an asset (or divestment group) to be classified as held for sale, the asset (or divestment group) must be available for immediate sale in its original condition. The sale must also be highly probable. In order for a sale to be regarded as highly probable, the following must apply:

- management is committed to a plan to sell,
- an active programme to locate a buyer has been initiated
- the asset (or divestment group) is being actively marketed for sale at a sales price reasonable in relation to its fair value,
- the sale is highly probable, within 12 months of classification as held for sale.

At each year-end closing, decisions are made on whether any property meets the criteria for classification as held for sale.

EQUIPMENT

Equipment has been reported at cost less accumulated depreciation according to plan and any impairment losses. Depreciation on the cost of equipment is on a straight-line basis over a 5 year period.

FINANCIAL INSTRUMENTS

For information on the Company's financial risk exposure and how such risks are managed, please see Note 2.

Recognition in the statement of financial position

A financial asset or liability is recognised in the statement of financial position as soon as the Company becomes a party to the instrument's contractual terms. A receivable is recognised when the Company has performed the service and there is a contractual obligation to pay, even if an invoice has not yet been received. Accounts receivables are recognised in the statement of financial position when the invoice has been sent. Long-term receivables, solely consisting of promissory notes, are recognised when the invoice is adjusted for the present value of any difference compared to market interest rate. Liabilities are recognised as soon as the other party has performed the service and there is a contractual obligation to pay, even if an invoice has not yet been received. Trade payables are reported when the invoice is received.

A financial asset is derecognised in the statement of financial position when the rights stated in the contract have been realised, have fallen due, or when the Company has lost control over them. The same applies to parts of a financial asset. A financial liability is derecognised in the statement of financial position once the obligation under the contract has been fulfilled or otherwise expired. The same applies to parts of a financial liability.

Categories of financial instruments:

Loan receivables and accounts receivable

These receivables are financial assets that are not derivatives, which have fixed or determinable payments and are not quoted in an active market. These assets are valued at amortised cost. Amortised cost is determined based on the effective rate that was calculated at the time of acquisition. Loan receivables and accounts receivable are reported at net realisable value, i.e. after the allowance for doubtful accounts.

Financial liabilities valued at fair value via profit or loss

This category consists of financial liabilities held for sale. These are adjusted to fair value on a continual basis, with changes in value recognised in the income statement.

Other financial liabilities

Other financial liabilities, such as new loans, accounts payable and purchased properties where payment has not yet been rendered, are included in this category. Liabilities are valued at amortised cost. Transaction costs are allocated using the effective interest rate over the expected term of the loan.

Derivatives

Hedge accounting is not applied for interest rate derivatives. Accordingly, the derivative's change in fair value in the Statement of financial position is recognised as an unrealised value change via profit or loss.

IMPAIRMENT

Financial assets

The carrying amounts for the Group's assets are tested at each closing of the books in order to determine whether any write-downs in value are necessary. The asset's recoverable amount is calculated if there is any indication of impairment. The recoverable amount for financial assets belonging to the categories loan receivables and accounts receivable (which are valued at amortised cost), is calculated as the present value of expected future cash flows, discounted by the effective interest rate when the asset was first recognised. Impairment loss is only reversed to the extent that the asset's carrying amount after reversal does not exceed the carrying amount that the asset would have had if impairment had not been recognised.

Other assets

Exceptions to the impairment principles are made for property, plant and equipment that is held for sale, investment properties and deferred tax assets that are valued according to special rules, which are described under each respective heading in accounting principles. For Goodwill, prior impairment losses may not be reversed.

INVENTORIES

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is calculated using the FIFO method (First In, First Out) including all expenses associated with the acquisition of such items. For manufactured goods and work-in-progress, cost includes a reasonable share of the indirect costs based on normal capacity.

PROVISIONS

A provision differs from other liabilities in that there can be uncertainty about the date of payment or the amount required to settle the provision. A provision is recognised in the statement of financial position when there is an existing legal or informal obligation resulting from an event that has occurred, and when it is probable that there will be an outflow of financial resources in order to settle the obligation, and when the amount can be reliably estimated.

Provisions are made for the amount representing the best estimate of what is required to settle the existing obligation as of the closing date. When the effect of the timing of the payment is significant, provisions are then calculated by discounting the expected future cash flow using a discount rate before tax that reflects the actual market assessments of the time value of money and, when appropriate, the risks associated with the obligation as well.

CONTINGENT LIABILITIES

A contingent liability is recognised when there is a possible obligation whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, or when there is an obligation that is not recognised as a liability or provision because settlement is not expected to result in an outflow of resources.

NOTE 2 RISKS

This note describes the risks associated with Kungsleden's cash flows from property management and the financial risks (credit and currency risk).

For more information on financial risks, please see pages 28-31.

I - RISKS ASSOCIATED WITH CASH FLOW FROM PROPERTY MANAGEMENT

Cash flow from a given property portfolio is affected by fluctuations in rental income and that depends on changes in rent levels and vacancy rates. Those changes are caused by such things as Swedish economic growth, the production rate for new properties, infrastructure changes, the employment rate and demographic factors.

Rental revenue

While Swedish economic growth has a considerable impact on rent levels and vacancy rates, there is also a major impact from growth at the regional and local levels where Kungsleden has operations. Economic growth results in a higher demand for facilities and possibly higher rent levels and lower vacancy rates. The opposite applies when there is a recession. Rent levels and vacancy rates are also impacted by the amount of new property production in the local markets.

Kungsleden has a property portfolio and customer structure with a good risk spread regarding the types of premises, geography, size of contracts and categories of tenants.

The rental contract portfolio is relatively long term, with an average remaining contract term for the entire portfolio of 3.9 years. Because contract length is relatively long, any change in market rents over the short term have very little effect on rental revenue.

Rental contracts contain indexation clauses allowing for rent increases equal to 75-100 per cent of inflation. Indexation adjustment for any given year is based on the inflation rate for October of the previous year. The index clauses contain a minimum adjustment, which, over the short term, provide some protection against deflation.

Rental revenues are impacted when tenants have trouble making payments. Rental losses for 2014 amounted to SEK -4 (0) million.

The risk of rental losses and vacancies is affected by the tenant structure. With large commercial tenants, there can be lower credit risk, but increased risk due to the higher concentration. Kungsleden's ten largest tenants account for 32 per cent of rental income. In many instances, the largest tenants have several different lines of business, as well as subsidiaries at many locations, which minimises the risk.

Largest tenants ¹	Rental revenue, SEK m	Share of rental revenue, %
ABB	297	15
Bring Frigoscandia AB	64	3
Överskottsbolaget	59	3
ICA	48	2
The Swedish Armed Forces	40	2
General Electric (GE)	31	2
V-TAB	30	2
The Swedish Social Insurance Agency	28	1
BYGGmax AB	27	1
Westinghouse Electric Sweden AB	25	1
Top 10 tenants	649	32
Other	1,371	68
Total commercial	2,020	100

1. Rental revenue attributable to discontinued operations of SEK 274 million is not included.

Property costs

Fluctuations in operating costs affect cash flow. Major operating costs are comprised of electricity, cleaning, heating, water, care and maintenance. Site leasehold fees and property tax, along with electricity and heating costs have the greatest impact on earnings. The price for electricity is determined by the supply and demand on the open market. Kungsleden has limited risk because it obtains a discount based on the electricity amount. A portion of electricity and heating costs are charged to tenants. For costs not covered by tenants, Kungsleden is compensated via indexation clauses in rental contracts, whereby rents are increased by 75-100 per cent of inflation. Exposure to fluctuations in these costs is thus limited. However, a property's cash flow and operating net is impacted by annual variations in media and maintenance costs.

For certain properties there are site leasehold fees, for which the terms and conditions are typically renegotiated every 10-20 years. At present, site leasehold fees are calculated so that the municipality receives a reasonable real rate of interest on the estimated value of the land. It cannot be ruled out that the way of calculating site leasehold fees will change in the future when terms and conditions are renegotiated.

Property tax, which is based on the tax assessed value of property, is based on political decisions. This applies to the calculation basis, tax assessed value and tax rate. Property tax is typically passed along and charge to tenants for leased space, while the tax on vacant space must be covered by the property owner.

Cash flow sensitivity analysis	Change	Earnings impact, SEK m
Rental revenue	+/-1%	+/- 21
Financial vacancy	+/-1% point	+/- 24
Property costs	+/-1%	-/+ 7
Average interest rate, loan portfolio	+/-1% point	-/+117
Short-term interest rate (<six months)	+/-1% point	-/+ 49

II - FINANCIAL RISKS

Financial risks are items that can have an impact on the Company's profit and cash flow. They include exchange rate and interest rate fluctuations as well as refinancing and credit risks. Each year, the Board establishes a finance policy dictating how the Group will manage financial risks. The finance policy creates a framework of guidelines and rules in the form of risk mandates and limits for financial activities. The Group's finance department is responsible for centrally managing financial risks and conducting financial transactions for the Group.

Kungsleden's financial risks are described in the section, Financing and financial risks on pages 28-31. That section deals particularly with financing risk, liquidity risk and interest rate risk, as well as financial risk management. In this not, credit risk and currency risk are described below.

Credit risk

Credit risk is defined as the risk that a counterparty will not fulfil all or part of its undertaking. Credit risk exists in derivative agreements, issuance of promissory notes and cash investments. The risk of a tenant not paying the rent also falls into the category of counterparty risk and it is covered in this note.

When a promissory note is issued, there is a risk that the counterparty will not pay the interest and/or repay the loan amount. Kungsleden is currently restrictive in its use of promissory notes. For significant long-term receivables, collateral is often requested in order to reduce the credit risk. As of 31 December 2014, long-term receivables amounted to SEK 9 (239) million. Please see Note 24 for more information.

Currency risk

The Group's currency exposure has consisted of translation exposure because of property holdings in Germany, i.e. assets denominated in EUR. Transaction exposure is basically non-existent. The property in Germany was relinquished on 2 December 2014. The effect on other comprehensive income of translation exposure attributable to this property amounted to SEK 4 (1) million for the year.

NOTE 3 SPECIAL CONSIDERATIONS AND ASSESSMENTS

VALUATION OF PROPERTIES

Key sources of estimation uncertainty

Because the price of a property is not observable on a quoted market, its value must be assessed instead and used as the basis for accounting at fair value. The value of a property is dependent on many factors that impact earnings and cash flow. Financing terms, interest levels and efficient financial markets also impact price-setting and the yield requirements that create balance in the property market with buyers and sellers. In an efficient market, sales price usually falls within the range of appraised value +/- 5 to 10 per cent.

Assessments made when applying accounting principles

Prior to year-end closing, all properties have been valued. The valuations are based on a cash flow statement where the future earnings capacity of an individual property and the market's yield requirement are assessed. This process is described in Note 14. The fact that Kungsleden is active in the property market where there is a high volume of transactions provides additional market information and improves the ability to make good estimates of appraised value. Reconciliation against external valuations also takes place.

On page 31, a +/- 5 to 10 per cent sensitivity analysis is provided, with the effect on unrealised change in value, equity/assets ratio, and LTV ratio.

TAX SITUATION

Key sources of estimation uncertainty

The applicable rules are used when reporting the amount of current tax payable, loss carryforwards and deferred tax on temporary differences between book values and tax values. Tax legislation is complicated, particularly when it comes to the purchase and sale of properties and companies. How tax courts interpret the existing rules can also change over time. Accordingly, applications might change even after a transaction has been completed and the tax return has been filed. Typically, the Swedish Tax Agency is able to audit a company's tax filing within two years of financial year-end. In some cases however, they can go back five years in time.

Assessments made when applying accounting principles

This involves assessing how individual transactions should be dealt with in the tax filing. Kungsleden regularly consults with external experts on tax issues. Nevertheless, there is always a risk that a court will assess completed transactions different to how the Company has dealt with them. When a tax dispute arises due to a previous year's tax assessment, Kungsleden makes a provision for additional tax payment based on the likelihood of losing in the final court of appeal exceeding 50 per cent.

Outstanding tax issues

Since most of Kungsleden's tax cases were decided last year, what remains is tax litigation pertaining to a situation from 2006 that has to do with the sale of properties via a foreign subsidiary.

In June 2014, the Administrative Court ruled against Kungsleden's Group companies on these litigation processes. The Court's ruling stated that two of the Group's Swedish companies had been the selling parties for a transaction in 2006 that was conducted by two Group companies in the Netherlands. The Court thus decided that the resulting capital gain from the transaction is taxable in Sweden. Kungsleden has appealed the Administrative Court's rulings to the Administrative Court of Appeal. Should there be a final negative judgement, the estimated maximum effect on earnings based on the Administrative Court's rulings amounts to SEK 1,360 million, with a maximum effect on liquidity of SEK 1,325 million. The Swedish Tax Agency has also submitted alternative claims, which means that there will be a review procedure based on the Tax Evasion Act. These claims have been put on hold and may well be taken up again if the Swedish Tax Agency is not successful in the processes that are already underway. For a negative outcome in a process that instead concerns tax evasion, the estimated maximum negative impact on earnings and liquidity is approximately SEK 500 million lower than the amounts stated above. As Kungsleden does not anticipate a negative outcome in the future cases, no provision has been made for either of the two alternative processes. For the tax litigation processes already concluded, SEK 19 million still remains to be paid.

NOTE 4 OPERATING SEGMENTS

SEK m	Properties		Nordic Modular, discontinued operations		Other/ Group-wide ¹		Deducted: discontinued operations		Total Kungsleden	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Rental revenue	2,193	1,669	275	262			-275	-262	2,193	1,669
Sales income, modular production			291	293			-291	-293	0	0
Net sales	2,193	1,669	565	555			-565	-555	2,193	1,669
Property costs	-703	-538	-123	-117			123	117	-703	-538
Costs for modular production			-262	-268			262	268		
Gross profit (loss)	1,491	1,131	180	170			-180	-170	1,491	1,131
Selling and administration costs	-101	-115	-45	-42			45	42	-101	-115
Net financial items	-660	-575	-16	-21			16	21	-660	-575
Profits from property management	730	441	119	108			-119	-108	730	441
Changes in value of investment properties										
Profit (loss) on property sales	73	8	-	-			-	-	73	8
Unrealised changes in value	930	48	-	-			-	-	930	48
Unrealised changes in value of financial instruments	-427	425	-	-			-	-	-427	425
Profit (loss) before tax	1,306	922	119	108			-119	-108	1,306	922
Tax	-325	-203	-57	-24	-1,640	34	57	24	-1,965	-169
Profit (loss)	981	720	63	84	-1,640	34	-63	-84	-659	754
Profit (loss) from Hemsö						24				24
Impairment loss on Nordic Modular					-157				-157	
Profit (loss) for the year	981	720	63	84	-1,797	58	-63	-84	-753	862
ITEMS IN THE STATEMENT OF FINANCIAL POSITION										
Goodwill			-	201	-	-			-	201
Properties	19,612	20,338	1,585	1,531	-	-	-1,585	-1,531	19,612	20,338
Other assets ²	-	-	-	-	1,843	898			1,843	898
Total assets	19,612	20,338	1,585	1,732	1,843	898	-1,585	-1,531	21,455	21,437
Interest-bearing liabilities	11,312	12,450	362	429	-	-			11,675	12,879
Provisions and other liabilities ²	1,134	708	-	-	1,130	929			2,264	1,637
Total liabilities	12,446	13,157	362	429	1,130	929			13,939	14,515
OTHER DISCLOSURES										
Purchases and investments in properties	720	6,148	66	8	-	-			786	6,156
Profit or loss items that do not affect cash flow	576	481	-	0	-	-			576	481

1. In February, the prior partly owned holding, Hemsö, was relinquished and it is reported in 2013 as discontinued operations separately, on the last row of the income statement. It is no longer reported as a separate segment, but is instead reported in the column, Other/Group-wide.

2. Assets that are not properties, goodwill or interest rate derivatives with positive value are not allocated per segment. Neither is allocation done for provisions and liabilities that are not liabilities to credit institutions or pertaining to interest rate derivatives with negative value or unpaid purchase sum on properties not yet taken over.

During the year, Kungsleden's operating segments were Properties and Nordic Modular. The Properties segment actively manages and improves properties, as well as providing facilities to external customers. The subsidiary, Nordic Modular, rents out modular buildings in the same way as with traditional facilities, as well as producing and selling modular buildings to external customers. Nordic Modular has been classified as discontinued operations since the time when a decision was made to sell the company.

Other/Group-wide contains any items that are not attributable to a specific segment or which pertain jointly to all segments.

Significant transactions between segments are comprised of Group contributions and an internal, interest-bearing loan from Nordic Modular.

ABB is the only customer representing more than 10 per cent of revenues. Rental revenue from ABB in 2014 was SEK 297 (298) million.

Geographic market, SEK m	Sweden		Germany/ Poland		Denmark/ Norway		Deducted: discontinued operations		Total Kungsleden	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Net sales	2,689	2,173	9	14	60	37	-565	-555	2,193	1,669
Properties	19,612	20,338	-	74	109	107	-1,585	-1,531	19,612	20,338
Purchases and investments in properties	786	6,156	-	-	-	-			786	6,156

NOTE 5 OPERATING LEASES

LESSOR

These are lease agreements which, for accounting purposes, are regarded as operating leases where Kungsliden is the lessor. The table below shows rental revenue calculated on current rent contracts, which amounted to 2,803 as of 31 December 2014. Lease agreements for facilities typically have a lease term of 3–5 years. It is desirable to have longer agreements in certain situations and that occurs, for example, in connection with investments and specific properties or businesses. Index adjustments to the rent amount typically apply. In most cases, there is also a surcharge to basic rent for heating and property tax. The surcharges are based on actual costs incurred by the landlord.

Lessor, rental revenue, SEK m	2014	2013
Contracted revenues with payment within one year ¹	2,162	2,122
Contracted revenues with payment between two and five years ²	4,025	4,407
Contracted revenues with payment in more than five years	1,728	2,076
Total	7,915	8,605

1. Revenue attributable to discontinued operations SEK 274 (232) million.
2. Revenue attributable to discontinued operations SEK 46 (48) million.

LESSEE

Kungsliden has entered into a number of operating leases as lessee for site leaseholds, company cars and office machines. The table below shows contracted payments for site leaseholds. Other operating lease agreements amount to insignificant amounts.

Lessee, site leasehold fees, SEK m	2014	2013
Contracted site leasehold fees with payment within one year	10	10
Contracted site leasehold fees with payment between two and five years	29	36
Contracted site leasehold fees with payment in more than five years	21	22
Total	60	68

NOTE 6 SELLING AND ADMINISTRATION COSTS

Selling and administration costs pertain primarily to the costs for central functions like business development, accounting and finance, legal and IT, as well as IPO costs and costs attributable to the Group management team. Costs for rental billing, rent demands, accounting and depreciation of equipment are included. The direct costs for ongoing property management of SEK 83 (49) million are reported as a cost in operating net.

SEK m	2014 ¹	2013 ¹
Personnel costs	-33	-56
Depreciation/amortisation	-3	-3
Other operating expenses	-66	-56
Total	-101	-115

1. For 2014, the costs for Nordic Modular are SEK -45 (-42) million. Not included in profit (loss) above.

FEES TO AUDITORS

The audit engagement includes the audit of the annual report, accounting records and the administration of the Board of Directors and the CEO, as well as other duties that the Company's auditor is obliged to conduct and advice or other assistance resulting from observations made during the audit or performance of these other duties.

SEK m	2014	2013
KPMG and Frejs ¹		
Audit engagement	3	3
Auditing tasks in addition to the audit assignment	1	0
Tax advice	1	1
Other assignments	9	2
Total	14	7

1. Frej's fee in 2014 pertains only to audit work for SEK 1 million.

NOTE 7 EMPLOYEES AND PERSONNEL COSTS

Also reported in the note are personnel expenses related to profit (loss) from discontinued operations.

The average number of employees for 2014 was 272 (253). Gender and country distribution is provided below.

Average number of employees	2014	Share women, %	2013	Share women, %
Sweden	267	23	249	23
Denmark (Nordic Modular)	3	-	2	-
Norway (Nordic Modular)	2	-	2	-
The Group	272	23	253	23

Including the figures above, Nordic Modular Group has an average number of employees of 181, of which 8 per cent women. Kungsliden has an average number of employees of 91, of which 52 per cent women, and they are primarily employed in the subsidiary, Kungsliden Fastighets AB.

GENDER DISTRIBUTION FOR THE BOARD AND TOP MANAGEMENT

At the closing date, the Board for Kungsliden AB consisted of 7 (7) members, of which 4 (2) women. There were 10 (9) members of top management, of which 5 (4) women.

Salaries, other remuneration and social security expenses, SEK t	2014		2013	
	Salaries, other remuneration	Social security expenses	Salaries, other remuneration	Social security expenses
THE GROUP				
<i>Senior executives</i>				
Board, CEO and Deputy CEO (of which, pension expenses)	12,868	5,983 (1,540)	16,181	9,180 (3,270)
Larsson, Göran	510	160	480	151
Bryngelson, Håkan	-	-	30	9
Axelsson, Charlotte	230	72	-	-
Fernqvist, Magnus	-	-	230	72
Gahm, Joachim	230	72	260	82
Gustafson, Peter	-	-	260	82
Hjorth, Liselotte	230	72	-	-
Holmgren, Lars	260	82	260	82
Meyer, Magnus	-	-	30	9
Orback Pettersson, Kia	230	72	230	72
Wikström, Charlotta	230	72	230	72
Pehrsson, Biljana (CEO)	5,741	2,732	1,806	874
Erséus, Thomas (CEO)	-	-	7,205	5,018
Kvist, Anders (Deputy CEO)	5,207	2,648	5,160	2,657
Other senior executives (of which pension expenses)	13,632	7,080 (2,198)	10,613	5,891 (1,998)
Total senior executives	26,500	13,064 (3,738)	26,794	15,071 (5,268)
Other employees (of which pension expenses)	131,693	57,794 (13,937)	116,910	50,267 (11,474)
Total employees (of which pension expenses)	158,193	70,858 (17,675)	143,704	65,338 (16,742)

All pension expenses pertain to defined contribution pension plans or the ITP plan.

REMUNERATION TO SENIOR EXECUTIVES Principles

Fees for the Board of Directors is in accordance with a resolution adopted at the Annual General Meeting. Board members employed at the Company do not receive fees. Remuneration to the CEO, Deputy CEO and other senior executives comprises a basic salary, variable pay, other benefits and pensions. Other senior executives are individuals, besides the CEO and Deputy CEO, who belong to the management team. For 2014, that team consisted of 10 individuals on average. The variable part of remuneration shall comprise the majority of all possible remuneration and the cap is 50–75 per cent of fixed annual salary. The variable part is based on actual outcomes in relation to goals that have been set individually.

Variable remuneration

For the CEO and Deputy CEO, variable remuneration for 2014 was based on profits from property management. The amount for the CEO and Deputy CEO for 2014 amounted to 70 (18) per cent of basic salary.

For other senior executives, variable remuneration for 2014 was on the same basis as for the CEO and Deputy CEO, as well as on individual targets for own areas of responsibility. The amount for these senior executives for 2014 amounted to 47 (32) per cent of basic salary.

Pensions

For all senior executives, the retirement age is 65 years and all of them have a defined-contribution pension plan, which only obliges the Company to pay annual premiums. Pension premiums for the CEO are 25 per cent of fixed annual salary and for the Deputy CEO, the corresponding amount is 30 per cent of fixed annual salary. For top management, pension premiums are 25 per cent of fixed annual salary. For other senior executives and employees, the ITP plan applies.

Termination

For the CEO, the notice of termination is 6 months and for the Company, it is 12 months. When the Company terminates employment, the CEO additionally receives six months' severance pay. Severance pay is not pensionable.

If employment termination is initiated by the CEO, there is accordingly no severance pay. A mutual 6-month period of notice applies between the Company and the Deputy CEO. When the Company terminates employment, the Deputy CEO additionally receives eighteen months' severance pay. Severance pay is not pensionable. If employment termination is initiated by the Deputy CEO, there is accordingly no severance pay.

For a senior executive, the notice of termination is 3 months and for the Company, it is 6 months. When the Company terminates employment, the senior executive additionally receives twelve months' severance pay. Severance pay is not pensionable. If employment termination is initiated by the senior executive, there is accordingly no severance pay. For a senior executive, the notice of termination is 6 months and for the Company, it is 12 months. A mutual 3-month period of notice applies between the Company and two of its senior executives. A mutual 4-month period of notice applies between the Company and one of its senior executives. For other senior executives, the notice period as per the collective labour agreement applies. For all senior executives, severance pay is offset against other income.

Preparatory and decision-making process

Remuneration to the CEO is decided by the Board based on recommendations from the remuneration committee. The committee decides on remuneration to other senior executives.

Remuneration and other benefits, SEK t	Basic Salary/ Board fees		Variable remuneration ¹		Other Benefits		Pension expense ²		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Chairman of the Board	510	510	-	-	-	-	-	-	510	510
Other Board members	1,410	1,630	-	-	-	-	-	-	1,410	1,630
CEO ³	3,401	8,361	2,340	520	84	102	726	2,437	6,550	11,420
Deputy CEO	3,047	3,540	2,160	1,620	1	5	814	833	6,023	5,997
Other senior executives 10 (7)	9,270	8,068	3,761	2,545	180	234	2,198	1,998	15,408	12,845
Total	17,638	22,109	8,261	4,685	265	341	3,738	5,268	29,901	32,402

1. Variable remuneration consists of bonus for 2014 financial year, of which SEK 8,261 (4,685) million was expensed in 2014.

2. Pension expense pertains to the amount expensed in 2014. More information about pensions is also provided below.

3. For 2013, information about the CEO pertains to both Biljana Pehrsson and Thomas Erseus.

NOTE 8 EXPENSES CLASSIFIED BY NATURE AND FUNCTION

Allocation by nature of expense, SEK m	2014	2013
Repairs, maintenance and tenant improvements	-604	-517
Other direct property expenses	-138	-87
Raw materials and consumables	-111	-104
Other direct production expenses, modular buildings	-117	-91
Personnel costs	-229	-212
Depreciation/amortisation	-7	-6
Other external costs	-29	-64
Expenses attributable to discontinued operations	430	427
Total	-804	-653

Allocation in the income statement, SEK m	2014	2013
Property expenses - properties	-702	-538
Property costs - modular buildings	-123	-117
Costs for modular production	-262	-268
Selling and administration costs	-146	-157
Total	-1,234	-1,080

The difference between SEK -804 (-653) million and SEK -1,234 (-1,080) million is explained by the costs attributable to discontinued operations.

Depreciation/amortisation and impairment by function, SEK m	2014	2013
Production expenses	-4	-3
Selling and administration costs	-3	-3
Expenses attributable to discontinued operations	4	3
Total	-3	-3

NOTE 9 PROFIT (LOSS) FROM FINANCIAL INSTRUMENTS

Net financial items	2014	2013
Interest income on accounts receivable and loan receivables	7	18
Interest income on bank deposits	-	-
Other financial income	4	0
Total finance income	11	18

Interest expenses, SEK m	2014	2013
<i>Interest expenses on borrowings</i>		
Loans valued at amortised cost	-370	-294
Loans valued at fair value	-	-
Interest rate derivatives valued at fair value	-257	-256
Interest expenses on borrowings	-626	-550

Other financial liabilities valued at amortised cost	-4	-4
Total interest expenses	-630	-554

Other financial expenses, SEK m	2014	2013
Borrowing costs, bank loans	-40	-40
Exchange rate fluctuations	0	0
Other financial expenses	-	-
Total other financial expenses	-41	-40
Net finance (expense)/income	-660	-575

Unrealised changes in value

Unrealised value changes on financial instruments are not reported in net financial items, but instead on a separate row in the income statement.

Financial liabilities valued at fair value through profit or loss, which are held-for-sale, amount to SEK -427 (425) million. Of that amount, SEK -427 (414) million pertains to interest rate derivatives, SEK 0 (3) million is equity swaps and SEK 0 (8) million is exchange rate fluctuations on long-term receivables. For a description of financing and explanations of actual outcome, see pages 28-31 and Note 24.

NOTE 10. TAXES

Tax in the income statement, SEK m	2014	2013 ²
Current tax	-1,610	-12
Deferred tax	-355	-180
Reported Tax	-1,965	-192

Current tax amounted to SEK -1,610 (-12) million and is comprised primarily of concluded tax processes, where the ruling was against Kungsliden. Last year, tax arose only for operating activities and primarily for acquired companies not able to partake in Group contributions with the rest of the Group during the first year of affiliation.

Kungsliden does not have any uncapitalised loss carryforwards.

Reconciliation of effective tax, SEK m	2014	2013 ²
Profit (loss) before tax	1,306	1,030
Tax rate 22.0% (22.0)	-287	-227
Effect of internal transfers below market value ¹	-	0
Sales of properties via a company	27	2
Provisions for tax litigation pertaining to prior years	-	34
Other tax pertaining to prior years and tax litigation	-1,651	-1
Other non-taxable income	-	3
Non-deductible expenses	-54	-3
Reported Tax	-1,965	-192

1. For prior internal transfers below market value, resulting loss carryforwards have been expensed at the time of the sale. An explanatory note is required since profit (loss) before tax has not been affected.

2. The difference compared to the income statement is attributable to Nordic Modular.

Deferred tax on temporary differences and loss carryforward 2014, SEK m	2014/01/01	Change via profit or loss	Purchase/sale	Transfer other liabilities	2014/12/31
Loss carry-forwards	391	-126			265
Properties	-505	-307	51	298	-463
Financial instruments	156	94			250
Tax allocation reserves	-4	3			-1
Other	-3	-19		2	-20
Total	35	-355	51	300	31

Deferred tax on temporary differences and loss carryforward 2013, SEK m	2013/01/01	Change via profit or loss	Purchase/sale	Transfer other liabilities	2013/12/31
Loss carry-forwards	426	-35			391
Properties	-431	-80	6		-505
Financial instruments	248	-92			156
Tax allocation reserves	-23	17	2		-4
Other	-13	10			-3
Total	207	-180²	8	0	35

2. The difference compared to the income statement is attributable to Nordic Modular.

Transfer other liabilities pertains to deferred tax on modular buildings reported as liabilities attributable to assets held for sale.

TAX FILINGS NOT APPROVED

A number of tax filings have not been approved by the Swedish authorities. Initial official decisions for which a provision has not been made have been reported as contingent liabilities in Note 25.

NOTE 11 DISCONTINUED OPERATIONS

The segment, Nordic Modular Group is reported as held for sale in this annual report. Accordingly, discontinued operations are reported on the last row of the income statement. In the balance sheet, this is reported on a separate line both on the assets and liabilities side. Nordic Modular Group is a wholly owned subsidiary. Accordingly, the financial statements include 100 per cent of its earnings and balances.

Profit for the period for Nordic Modular was SEK 63 (84) million. At year-end, the entire shareholding was valued at the price agreed for the sale of 65 per cent of the shares to Inter IKEA Investments, which was finalised in early January 2015. This resulted in an impairment loss of SEK -157 million.

For a summary of Nordic Modular's income statement and balance sheet, please see Note 4.

NOTE 12 EARNINGS PER SHARE

	2014	2013
Earnings per share, before and after dilution, SEK/share	-5.18	6.31
Earnings per share, from continuing operations, basic and diluted, SEK/share	-4.53	5.52
Earnings per share, from discontinued operations, basic and diluted, SEK/share	-0.65	0.79
Outstanding number of shares	182,002,752	136,502,064
Average number of shares ¹	145,352,883	136,502,064
Profit (loss) from continuing and discontinued operations, SEK m	-753	862
Profit (loss) from continuing operations, SEK m	-659	754
Profit (loss) from discontinued operations, SEK m	-94	108

1. During the year, there was a rights issue of 45,500,688 shares.

NOTE 13 GOODWILL

SEK m	2014/12/31	2013/12/31
Accumulated cost at beginning of the year	209	209
Reclassification to assets held for sale	-209	-
Total	0	209
Accumulated impairment losses at beginning of the year	-7	-7
Impairment losses for the year	-29	-
Reclassification to assets held for sale	36	-
Total	0	-7
Carrying amount at year-end	0	201

Goodwill arose in conjunction with Kungsleden's purchase of Nordic Modular Group in 2007. Goodwill consists primarily of a portion of the business combination of investment properties and a smaller portion is the actual acquired operations and module production. Because the investment properties were purchased via a business combination, full tax was reported on the surplus value even though there was only a very small deduction for deferred tax on the temporary differences resulting from Kungsleden's valuation upon acquisition. The difference between the deduction and the recognised deferred tax became an item of goodwill.

The impairment loss for the year is attributable to a renewed value assessment.

NOTE 14 INVESTMENT PROPERTIES - PROPERTIES

SEK m	2014/12/31	2013/12/31
Carrying amount at beginning of the year	20,338	14,247
Purchases	386	5,935
Investments in owned properties	334	213
Book value of sold properties	-2,379	-10
Exchange rate fluctuations	3	4
Unrealised changes in value	930	48
Carrying amount at year-end	19,612	20,338

SEK m	Industrial/ warehouse				All Other properties
	Office	Retail	Other	properties	
Property at the beginning of the year	10,386	6,668	2,672	613	20,338
Purchases	360	26	0	0	386
Investments in owned properties	211	32	83	8	334
Book value of sold properties	-1,302	-389	-423	-266	-2,379
Exchange rate fluctuations	0	3	0	0	3
Unrealised changes in value	1,062	-155	19	5	930
Property at year-end	10,717	6,186	2,351	360	19,612

When properties are acquired via a company, Kungsleden typically obtains deductions for taking over temporary differences compared to if the purchase had been a direct property acquisition. For asset acquisitions, these deductions for deferred tax are not reported as a deferred tax liability, but instead as a deduction on the property value, which is in accordance with the accounting standards. The table below shows the fair value of properties along with the total deduction for deferred tax that was received upon acquisition.

SEK m	2014/12/31	2013/12/31
Fair value of properties	19,816	20,542
Received deduction for deferred tax for the purchase of properties via a company (asset acquisition)	-203	-204
Carrying amount at year-end	19,612	20,338

VALUATION OF PROPERTIES

Internal valuations of all properties was conducted as of 31 December 2014 representing the book value. All properties were also valued by external appraisers in order to quality assure and verify the internal valuations.

Internal valuation

Kungsleden has decided to base the fair value on internally conducted valuations. The valuation method is described below.

External valuation

As part of the year-end valuation process, all properties were valued by external appraisers in order to quality assure and verify the internal valuations.

Valuation method

Kungsleden reports its property portfolio at fair value, which, for properties, is the same as market value. The fair value is based on the internal valuations that are conducted on a regular basis as an integral part of the business process. Each property is individually assessed at the value it likely can be sold for. Valuation is based on Level 3 (see the description of these levels in Note 24). This means that the valuation is based on inputs that are not observable market data.

For valuation of properties, Kungsleden applies a combination of the performance-based cash flow method and the comparison method. The present value of future cash flow for each individual property is forecast, along with the residual value based on a five-year calculation period. The yield requirement that is applied is based on Kungsleden's active presence in the transaction market and it has been assessed based on the risks associated with each property and analyses of completed transaction in each location, in accordance with the comparison method. For these valuations, a 1.5 per cent inflation assumption has been used.

The table below shows the average yield requirement for each property segment. The yield requirements of the valuations fall within the range of 5.5 to 14.0 per cent.

	Fair value ¹ , SEK m	Average yield requirement, %	Interval yield requirement, %
Office	10,805	6.9	5.5-10.0
Industrial/ warehouse	6,278	8.1	6.8-14.0
Retail	2,366	7.5	6.5-9.0
Other	368	7.7	7.0-13.5
Total	19,816	7.4	5.5-14.0

1. Before deduction for deferred tax at time of purchase.

Sensitivity analysis, valuation	Change	Impact on value, SEK m
Operating net	+/-1.0%	+196/ -196
Yield requirement	+/-0.1%	-256/ +256

SEK m	Office	Industrial/ warehouse	Retail	Other	Assessed properties	Not externally valued	Received deduction for deferred tax at time of purchase	All properties
Book value	10,805	6,278	2,365	367	19,816	0	-203	19,612
External valuation	11,059	6,445	2,476	349	20,329			

NOTE 15 INVESTMENT PROPERTIES - MODULAR BUILDINGS

SEK m	2014/12/31	2013/12/31
Carrying amount at beginning of the year	1,509	1,509
Investments in owned properties	61	7
Book value of sold properties	-9	-7
Unrealised changes in value	0	-
Reclassification to assets held for sale	-1,561	-
Carrying amount at year-end	0	1,509

NOTE 16 PROPERTY USED IN BUSINESS OPERATIONS

SEK m	2014/12/31	2013/12/31
Accumulated cost at beginning of the year	29	27
Investments in owned properties	5	2
Reclassification to assets held for sale	-33	-
Total	0	29
Accumulated depreciation at beginning of the year	-7	-6
Depreciation/amortisation	-2	-1
Reclassification to assets held for sale	9	-
Total	0	-7
Carrying amount at year-end	0	22

NOTE 17 EQUIPMENT

SEK m	2014/12/31	2013/12/31
Accumulated cost at beginning of the year	33	29
Purchases	7	6
Sales/divestments	-4	-3
Reclassification to assets held for sale	-15	-
Total	21	33
Accumulated depreciation at beginning of the year	-18	-15
Sales/divestments	1	1
Depreciation for year	-5	-4
Reclassification to assets held for sale	9	-
Total	-13	-18
Carrying amount at year-end	8	15

NOTE 18 OTHER NON-CURRENT RECEIVABLES

SEK m	2014/12/31	2013/12/31
Carrying amount at beginning of the year	239	244
New long-term receivables	0	9
Exchange rate fluctuations	0	8
Repayments	-230	-22
Carrying amount at year-end	9	239

The largest receivable from 2013 was a promissory note to Nollitnac Holding AB for SEK 227 million, which was given in conjunction with the purchase of 36 properties from Nordic & Russia Properties during 2011. The promissory note was repaid in 2014. For a description of credit risks, see Note 2.

NOTE 19 EQUITY

At the end of the financial year, share capital amounted to SEK 75,834,480 and the number of shares was 182,002,752. During 2014, there was a new share issue, which increased share capital by SEK 18,958,620 and the number of shares by 45,500,688. The quotient value is unchanged at 0.42. After the number of shares increased due to the rights issue that was conducted during the year, no additional dilutive effect existed because there were no potential shares.

Adjusted net assets value, EPRA NAV

Calculation of long-term net worth is done by adjusting equity for derivatives and deferred tax.

Net worth	2014		2013	
	SEK m	SEK/share	SEK m	SEK/share
Equity as per balance sheet	9,102	50.01	8,453	61.93
<i>Add back</i>				
Derivatives as per balance sheet	1,134	6.23	708	5.19
Deferred tax as per balance sheet	-31	-0.17	-35	-0.25
Long-term net worth (EPRA NAV)	10,205	56.07	9,126	66.86

Outstanding number of shares 182,002,752 136,502,064

NOTE 20 INTEREST-BEARING LIABILITIES

SEK m	2014/12/31		2013/12/31	
	Nominal amount	Fair value	Nominal amount	Fair value
Liabilities to credit institutions				
Bank loans with variable interest rate	11,675	11,781	12,879	12,935
INTEREST RATE DERIVATIVES				
Interest rate swaps, SEK 6,825 (9,350) million	-	1,134	-	707
Total loans and derivatives	11,675	12,915	12,879	13,642

Maturity date bank and bond loans	2014/12/31		2013/12/31	
	Nominal amount	Share, %	Nominal amount	Share, %
2014	-	-	1,843	12
2015	2,762	21	7,392	47
2016	3,423	25	3,836	24
2017	338	3	-	-
2018	2,639	20	-	-
2019	4,305	32	2,673	17
Total	13,467	100	15,744	100
Unutilised credits	-1,792		-2,865	
Total utilised credits	11,675		12,879	

There is a bank overdraft for SEK 250 (260) million, which was fully unutilised at year-end 2014 and 2013.

The maturity structure for derivatives is provided on page 29.

Undiscounted cash flows for financial liabilities and derivatives

Year	Maturity loans	Interest payment loans	Maturity derivatives	Interest payment derivatives
2015	2,512	262	1,400	252
2016	3,323	201	500	210
2017		135	200	181
2018	2,639	154	700	157
2019	3,201	94	600	123
2020			800	99
2021			725	76
2022			1,900	55
Total	11,675	845	6,825	1,153

NOTE 21 PROVISIONS

SEK m	2014/12/31	2013/12/31
Provisions at start of year	60	58
New provisions (profit (loss) from property sales)	0	3
Adjustments	-	1
Reversals	-50	-
Reclassification, liabilities related to assets held for sale	-5	-1
Provisions at year-end	5	60

There have been reversals to Profit (loss) from property sales.

SEK m	2014/12/31	2013/12/31
Refinancing risk, promissory note receivable	0	45
Other obligations, sold properties	-	14
Other	5	-
Total	5	60

SEK m	2014/12/31	2013/12/31
Matures for payment within one year	5	10
Matures for payment between two and five years	-	50
Matures for payment in more than five years	-	-
Total	5	60

NOTE 24 VALUATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

SEK m	Accounts receivable and loan receivables ¹		Financial liabilities valued at fair value through profit or loss		Other liabilities		Total carrying amount		Fair value	
	2014/12/31	2013/12/31	2014/12/31	2013/12/31	2014/12/31	2013/12/31	2014/12/31	2013/12/31	2014/12/31	2013/12/31
Long-term receivables	9	239	-	-	-	-	9	239	9	239
Accounts receivable	16	97	-	-	-	-	16	97	16	97
Other receivables	44	2	-	-	-	-	44	2	44	2
Total	69	338	-	-	-	-	69	338	69	338
Interest-bearing liabilities	-	-	-	-	11,675	12,879	11,675	12,879	11,781	12,935
Accounts payable	-	-	-	-	141	161	141	161	141	161
Other liabilities	-	-	1,134	708	37	38	1,171	746	1,171	746
Total	-	-	1,134	708	11,853	13,077	12,987	13,785	13,093	13,842

1. The amounts in this column represent the maximum credit risk.

For information on the Company's financial risk exposure and how such risks are managed, please see pages 28-31.

VALUATION

A number of OTC derivatives are used to hedge risks in the cash flows for interest. There are three valuation categories (levels):

Level 1: according to prices in active markets for identical instruments.

Level 2: based on directly or indirectly observable market data not included in Level 1.

Level 3: based on inputs that are unobservable in the market.

NOTE 22. OTHER LIABILITIES

At year-end, other liabilities consisted of SEK 13 million in unpaid purchase sum. There were properties that had been accessed at year-end, but with final payment to be made during the first quarter of 2015.

NOTE 23 MATURITY STRUCTURE FOR LIABILITIES

SEK m	2014/12/31	2013/12/31
Matures for payment within one year	3,637	2,712
Matures for payment between two and five years	9,162	11,036
Matures for payment in more than five years	-	-
Total	12,800	13,748

The maturity structure for liabilities pertains to interest-bearing liabilities and operating liabilities, not including provisions and the fair value of derivatives. All accounts payable fall due within one year.

Kungsleden's derivatives are valued using valuation techniques where the input is observable market data (Level 2). The fair value of these derivatives amount to SEK -1,134 (-708) million.

The fair value of accounts receivable and loan receivables has been individually assessed based on the risk that the receivable will not be repaid. A similar valuation is done in accordance with the principles for carrying amount. At the last two year-end closings, the reported fair value has equalled the assessed fair value.

Liabilities to credit institutions, SEK m	2014/12/31	2013/12/31
Liabilities at the beginning of the year	12,879	9,704
New loans	1,350	4,845
New loans via company acquisitions	-	741
Amortisation	-2,554	-2,410
Changes in value	-	-
Exchange rate fluctuations	-	-
Liabilities at year-end	11,675	12,879

NOTE 25 PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets for liabilities, SEK m	2014/12/31	2013/12/31
Property mortgages	10,248	11,833
Participations in Group companies	3,804	4,316
Total	14,052	16,149

Assets have primarily been pledged for bank loans. Commitments may exist in loan agreements pertaining to the interest coverage ratio and loan volume in relation to the fair value of properties.

Contingent liabilities, SEK m	2014/12/31	2013/12/31
Tax demands	1,360	2,990
Project guarantees	1	20
Rental guarantees	2	2
Other guarantees and obligations	24	24
Total	1,384	3,036

Tax demands pertain to tax litigation for which no provision has been made following assessment of the final outcome in court. The tax situation and appeals are described in Notes 3 and 10. Additional tax and interest are included in the reported amount.

Obligations and legal responsibilities for remediation of contaminated land may occur in the future for both owned and sold properties. Costs can arise in the form of, for example, increased costs for remediation of land in connection with new construction, renovations or extensions as well as price reductions on properties being sold. Assessing such future amounts is not possible. One of the Company's subsidiaries has received a demand pertaining to establishment of a sampling plan aimed at uncovering contamination at a property that was owned by the Company during the 1960s through to the 1980s. At the present time, it is not possible to assess whether this action will be required and if so, the amount that it will cost.

NOTE 26 SUPPLEMENTARY DISCLOSURES ON CASH FLOWS

Cash includes cash and bank balances as well amounts connected with assets that are held for sale.

Other adjustments not included in cash flow from operations, SEK m	2014	2013
Provisions	-10	2
Depreciation/amortisation and impairment	3	6
Provision/confirmed for rental and bad debt losses.	5	0
Exchange rate fluctuations	0	0
Profit (loss) from sale of equipment	0	-1
Increase(-)/decrease(+) in interest receivable	3	26
Increase(-)/decrease(+) in interest payable	-2	-2
Other profit or loss items that do not impact liquidity	0	1
Total	-1	31

Interest, SEK m	2014	2013
Interest received	14	57
Interest paid	-633	-569

Acquisition of subsidiaries, SEK m	2014	2013
<i>Purchased assets and liabilities</i>		
Investment properties	386	7,436
Operating Receivables	2	46
Cash and cash equivalents	17	45
Total assets	405	7,526

Interest-bearing liabilities		741
Operating liabilities	337	5,500
Total Provisions and Liabilities	337	6,241

Purchase sum paid	68	1,285
Deducted: liquid assets in the acquired business	-17	-45
Effect of the purchased company on cash	51	1,241

Divestiture of subsidiaries, SEK m	2014	2013
<i>Sold assets and liabilities</i>		
Investment properties	2,229	91
Operating Receivables	2	0
Cash and cash equivalents	0	0
Total assets	2,231	92

Deferred tax	51	8
Operating liabilities	1,083	37
Total Provisions and Liabilities	1,134	45

Sales price	1,105	56
Deducted: promissory notes		-9
Received purchase sum	1,105	47
Deducted: liquid assets in the divested business	0	0
Effect of the wholly-owned subsidiary on cash	1,105	47

Divestment of Hemsö	-	1,827
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Effect of the divested company on cash	1,105	1,874
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The purchase or sale of properties via a company can result in significant cash flows on the following line items: operating receivables and operating liabilities, respectively. The reason that this occurs is because significant property is sometimes acquired via a company, for which the cash flow from share proceeds is reported in investing activities, but when Kungsleden, in conjunction with the purchase, also settles the seller's balance with the transferred company. If no other external financing comes with the purchase, the balance typically consists of the purchased company's own financing of the property portfolio. In the closing balance, the amount is a portion of the operating liabilities which are cash-settled by the purchaser, in this case Kungsleden, resulting in negative cash flow to settle the operating liabilities. For property divestment via a company, the reverse situation applies. Operating liabilities for taken-over and relinquished companies for 2014 and 2013 are shown in the table above.

NOTE 27 TRANSACTIONS WITH RELATED PARTIES

Remuneration to Board members and senior executives for work completed is disclosed in Note 7.

There have not been any transactions besides these with any related parties or individuals.

NOTE 28 SIGNIFICANT EVENTS AFTER THE REPORTING DATE

In November 2014, an agreement was signed for the sale of 65 per cent of Nordic Modular Group to Inter IKEA Investments. The deal closed on 8 January 2015. Kungsleden's involvement in Nordic Modular Group is now through its 35 percent ownership in the newly formed holding company. This will be reported in Kungsleden's balance sheet as shares in associated companies and in the income statement as profit (loss) from associated companies.

At the end of 2014, four properties were acquired in Kista for a value of approximately SEK 2 billion. Access to the property will occur in 2015.

INCOME STATEMENT – PARENT COMPANY

SEK m	Note	2014	2013
Intra-Group income		28	39
Administration costs		-30	-45
Operating profit (loss)	2-3	-2	-6
PROFIT/LOSS FROM FINANCIAL ITEMS			
Profit (loss) from participations in Group companies	4	149	255
Interest income and similar items	4	239	573
Interest expenses and similar items	4	-800	-385
		-412	443
Profit (loss) before tax		-414	437
TAX			
Deferred tax	5	96	-89
Profit (loss) for the year		-318	349

PARENT COMPANY'S STATEMENT OF COMPREHENSIVE INCOME

SEK m	2014	2013
Profit (loss) for the year, as per the income statement	-318	349
Other comprehensive income	-	-
Comprehensive income for the year	-318	349

COMMENTS ON THE PARENT COMPANY'S INCOME STATEMENT

Sales were 28 (39) million, which was income from Group companies for distributed administration costs.

Financial items consist of the interest expense on bond loans and interest on swap agreements for the Group's borrowings, as well as provisions for the Group's interest rate swaps, for which the under-

value increased due to the fall in long-term interest rates during the year. Financial items also include transactions related to holdings in subsidiaries.

Profit (loss) for the year, after tax, was SEK -318 (349) million.

PROPOSED APPROPRIATION OF PROFITS

The following unappropriated earnings are at the divestment of the AGM:	
Profit (loss) brought forward	SEK 5,914,936,140
Share premium reserve	SEK 1,549,156,569
Profit (loss) for the year	SEK -318,206,878
Total	SEK 7,145,885,831

The Board of Directors suggests the following appropriation of earnings:	
Dividends to shareholders of SEK 1.50 per share	SEK 273,004,128
Share premium reserve	SEK 1,549,156,569
Carried forward	SEK 5,323,725,134
Total	SEK 7,145,885,831

Starting in 2013, the Board implemented a new dividends policy aimed at better reflecting the Company's long-term value creation goals. Over the medium term, once Kungsløden tax situation is fully resolved, the goal is to distribute as dividends up to 50 per cent of profits from property management. Over the next few years however, dividends will be lower and adapted to the Company's liquidity needs.

Based on the dividends policy and the Parent Company's and

Group's financial position, the Board proposes dividends of SEK 1.50 per share for the 2014 financial year.

The proposed dividend corresponds to 4 per cent of the Parent Company's unrestricted equity and 3 per cent of the Group's equity.

With the proposed dividend, the Parent Company achieves an equity/assets ratio of 39 per cent and the corresponding figure for the Group is 39 per cent.

The equity/assets ratio is deemed adequate, particularly given that the Parent Company and the Group have a high earnings capacity following the major property acquisitions that were made.

As of 31 December 2014, available liquidity, including unutilised credit was SEK 3,230 million. Based on this, the assessment is that the Group's liquidity preparedness remains strong.

The Board is of the opinion that the proposed dividend does not prevent the Company, or other companies belonging to the Group, from meeting its obligations over the short or long term. Neither does it present any obstacles to making the necessary investments. The proposed dividend is thus justifiable having considered Chapter 17, Section 3, paragraphs two and three of the Annual Accounts Act (prudence rule).

The proposed appropriation of profits will be brought forth for adoption at the AGM on 23 April 2015.

BALANCE SHEET - PARENT COMPANY

SEK m	Note	2014/12/31	2013/12/31
ASSETS			
<i>Non-current assets</i>			
Participations in Group companies	6	6,748	7,806
Receivables from Group companies	7	2,471	2,471
Deferred tax receivable	5	378	282
Other non-current receivables	7	6	230
Total non-current assets		9,603	10,788
<i>Current assets</i>			
Receivables from Group companies		7,131	4,675
Other receivables		5	8
Prepaid expenses and accrued income	8	9	19
Cash and bank		1,257	152
Total current assets		8,402	4,853
TOTAL ASSETS		18,005	15,641
EQUITY AND LIABILITIES			
<i>Equity</i>			
<i>Restricted equity</i>			
Share capital		76	57
		76	57
<i>Non-restricted equity</i>			
Accumulated profit or loss		5,915	5,737
Share premium reserve		1,549	-
Profit (loss) for the year		-318	349
		7,146	6,086
Total equity		7,222	6,143
<i>Provisions</i>			
Provisions for pensions and similar obligations		2	2
Total provisions		2	2
<i>Non-current liabilities</i>			
Bond loans		700	1,699
Liabilities to Group companies		-	325
Total non-current liabilities	9-11	700	2,024
<i>Current liabilities</i>			
Liabilities to credit institutions		999	600
Accounts payable		3	1
Liabilities to Group companies		7,921	6,110
Income tax liability		-	1
Derivatives		1,134	708
Other liabilities		-	2
Accrued expenses and deferred income	12	24	51
Total current liabilities	10, 11	10,081	7,472
TOTAL EQUITY AND LIABILITIES		18,005	15,641
Pledged assets and contingent liabilities, SEK m			
Pledged assets	13	3,068	4,629
Contingent liabilities	13	9,975	10,503

COMMENTS ON THE PARENT COMPANY'S BALANCE SHEET

At the end of the year, assets primarily consisted of participations in Group companies for SEK 6,748 (7,806) million. There were also significant receivables and liabilities to Group companies. The net amount was a receivable of SEK 1,681 (711) million.

Financing was primarily via equity, which was SEK 7,222 (6,143) million at the end of the year, with a corresponding equity/assets ratio of 40 (39) per cent.

PARENT COMPANY'S STATEMENT OF CHANGES IN EQUITY

SEK m	Restricted equity	Non-restricted equity		Total equity
	Share capital	Share premium reserve	Accumulated profit or loss	
Equity as of 2013/01/01	57	-	5,874	5,931
Profit (loss) for the year			349	349
Total change in wealth excl. transactions with the Company's owner	57	-	6,223	6,280
Dividends			-137	-137
Total transactions with the Company's owner			-137	-137
Equity as of 2013/12/31	57	-	6,086	6,143
Equity as of 2014/01/01	57	-	6,086	6,143
Profit (loss) for the year			-318	-318
Total change in wealth excl. transactions with the Company's owner			-318	-318
Rights issue ¹	19	1,549		1,568
Dividends			-171	-171
Total transactions with the Company's owner	19	1,549	-171	1,397
Equity as of 2014/12/31	76	1,549	5,597	7,222

1. Cost for the new emission amounted to SEK 24 million.

PARENT COMPANY'S STATEMENT OF CASH FLOWS

SEK m	Note 14	2014	2013
OPERATING ACTIVITIES			
Profit (loss) before tax		-414	437
Dividends, not settled		-396	-517
Group contributions received		-151	-223
Profit (loss) on sales		-	-32
Depreciation, Group companies		1,933	518
Provision/reversal of provisions for derivatives		425	-417
Unrealised currency translation gains (losses)		-1	-8
Provision for pensions		1	0
Cash flow from operating activities before change in working capital		1,397	-242
<i>Changes in working capital</i>			
Increase(-)/decrease(+) in operating receivables		-2,444	-2,328
Increase(+)/decrease(-) in operating liabilities		2,182	2,060
		-262	-268
Cash flow from operating activities		1,135	-510
INVESTING ACTIVITIES			
Purchase of participations in Group companies		-	-874
Sale of Group companies		-	664
Shareholders' contribution paid		-1,032	-140
Repayment of other financial assets		205	8
Cash flow from investing activities		-827	-342
FINANCING ACTIVITIES			
Rights issue		1,568	-
New loans		-	1,025
Repayment of loan		-600	-426
Dividends		-171	-137
Cash flow from financing activities		797	463
Cash flow for the year		1,105	-389
Cash equivalents at the beginning of the year		152	541
Cash equivalents at year-end		1,257	152

NOTES FOR THE PARENT COMPANY

NOTE 1 PARENT COMPANY ACCOUNTING PRINCIPLES

The Parent Company, Kungsliden AB, has prepared its annual report in accordance with the Annual Accounts Act and RFR 2. The applied accounting principles appear in the applicable parts of the Group's accounting principles, with the following additions for the Parent Company.

PARTICIPATIONS IN GROUP COMPANIES

Shares in Group companies are reported at historical cost. The value is regularly tested for impairment.

FINANCIAL INSTRUMENTS

Financial receivables and liabilities are reported at historical cost. The risk of loss on financial receivables and derivatives is considered.

FINANCIAL GUARANTEES

The Parent Company's financial guarantees consist of guarantees on behalf of Group companies. For its reporting of financial guarantees, the Parent Company applies one of the simplified rules allowed by the Swedish Financial Accounting Standards Council, rather than the rules stated in IAS 39 Financial Instruments: Recognition and measurement. The Parent Company reports financial guarantee agreements as a provision in the balance sheet when the Company has an obligation for probable payment. Otherwise, the obligation is reported as a contingent liability.

GROUP CONTRIBUTION

Group contributions received from a subsidiary are reported in accordance with the same principles that are typically applied to dividends from subsidiaries. Group contributions that are made to subsidiaries are reported as investments in shares of Group companies.

Shareholder contributions are reported by the maker as an increase in the book value of shares and by the recipient, as an increase in unrestricted equity.

DIVIDENDS

Dividends from subsidiaries and associated companies are recognised as revenue when the right to receive the dividend is established.

Anticipated dividends from foreign subsidiaries are reported only in those instances when the Parent Company has the sole authority to determine the dividend amount and has made such decision before publishing its financial statements.

If the carrying amount of the Parent Company's holding in the subsidiary or associated company exceeds the carrying amount in the financial statements it is regarded as an indication of impairment, thus requiring a test for impairment.

NOTE 2 ADMINISTRATION COSTS

Administration costs, SEK m	2014	2013
Personnel costs	-19	-38
Other operating expenses	-11	-7
Total	-30	-45

Administration costs pertain primarily to the costs for central functions like business development, accounting and finance, legal and IT, as well as IPO costs and costs attributable to the Group management team.

Administration costs amount to SEK 30 (45) million and the largest item included in that amount is personnel expenses for SEK 19 (38) million, which is primarily remuneration to the Group management team and Board members.

Auditors do not invoice their fees and expense reimbursements directly to the Parent Company. Instead, they send the total amount for all Group companies to Kungsliden Fastighets AB, which then sends invoices to the Group companies for those amounts along with other joint administration expenses.

NOTE 3 EMPLOYEES, PERSONNEL EXPENSES AND BOARD FEES

Average number of employees	Share women		Share women	
	2014	%	2013	%
Sweden	4	50	5	32
Total	4	50	5	32

Salaries, other remuneration and social security expenses, SEK t	2014		2013	
	Salaries, other remuneration	Social security expenses	Salaries, other remuneration	Social security expenses
Board, CEO and Deputy CEO	12,868	5,983	16,181	9,181
Other employees	6,092	2,192	7,457	4,163
(of which pension expenses)		(2,372)		(4,699)
Total	18,959	8,176	23,638	13,344

Fees for the Board of Directors is in accordance with a resolution adopted at the Annual General Meeting. For information on remuneration to each Board member, as well as remuneration to senior executives, please see Note 7 in the consolidated financial statements.

NOTE 4 PROFIT (LOSS) FROM FINANCIAL ITEMS

Profit (loss) from subsidiaries, SEK m	2014	2013
Anticipated Dividends	1,931	518
Group contributions received	151	223
Profit (loss) from divestment of shares	-	32
Impairment loss/reversals of impairment loss	-1,933	-518
Total	149	255

Interest income and similar items, SEK m	2014	2013
<i>Interest income</i>		
Group Companies	233	131
Other companies	5	17
Reversal of reserves, undervalue of derivatives	-	417
Other	1	8
Total	239	573

Interest expenses and similar items, SEK m	2014	2013
<i>Interest expenses</i>		
Group Companies	-24	-35
Other companies	-324	-342
Reserves, undervalue of derivatives	-425	-
Other	-27	-8
Total	-800	-385

NOTE 5 TAXES

Tax in the income statement, SEK m	2014	2013
Current tax	-	-
Deferred tax	96	-89
Reported Tax	96	-89
Reconciliation of effective tax, SEK m	2014	2013
Profit (loss) before tax	-414	437
Tax rate 22%	91	-96
Dividends from Group companies	425	114
Impairment of shares in Group companies	-425	-114
Tax effect of non-deductible expenses/ non-taxable income	4	7
Other	1	-
Reported Tax	96	-89

No tax amounts have been reported directly to equity.

Deferred tax on temporary differences and loss carryforwards, SEK m	At beginning of the year	Via profit or loss	At year-end
Loss carry-forwards	126	2	128
Financial instruments	156	93	249
Other temporary differences	0	1	1
Total	282	96	378

LISTING FOR THE PARENT COMPANY'S HOLDINGS OF SHARES IN GROUP COMPANIES

Directly owned subsidiaries' CIN/domicile/country	No. of shares	Share % ¹	Book value, SEK m	
			2014/12/31	2013/12/31
Kungsleden Fastighets AB, 556459-8612, Stockholm	200	100	312	1,980
Realia AB, 556639-7419, Stockholm	100,000	100	1,438	1,059
Kungsleden Norrlandsfastigheter AB, 556481-1429, Stockholm	1,000	100	1,757	1,757
Kungsleden Syd AB, 556480-0109, Stockholm	1,000	100	50	0
Bovård i Sverige AB, 556429-6126, Stockholm	1,000	100	131	131
Kungsleden Äldre B AB, 556635-1366, Stockholm	1,000	100	23	23
Kungsleden Real Estate BV, 34209547, Netherlands	900	100	0	0
Kungsleden Service AB, 556610-9087, Stockholm	1,000	100	0	0
Realia International BV, BV502052-1156, Netherlands	2,351	75	10	10
Kungsleden Mattan AB, 556718-3354, Stockholm	1,000	100	352	656
Kungsleden Friab AB, 556742-6548, Stockholm	1,000	100	1,234	1,288
KL Norge Holding AB, 556730-0875, Stockholm	1,000	100	6	6
Kungsleden Kalinka Holding AB, 556844-2957, Stockholm	50,000	100	79	78
Kungsleden Holding GmbH, Germany	1	100	0	0
Nordic Modular Group AB, 556691-3868, Upplands Väsby	20,695,156	100	769	769
Kungsleden Balsberget AB, 556919-3013, Stockholm	50,000	100	0	0
Kungsleden Tannberget AB, 556920-8043, Stockholm	50,000	100	0	0
Kungsleden Alsberget AB, 556919-3021, Stockholm	50,000	100	0	0
Kungsleden Mariaberget AB, 556919-3039, Stockholm	50,000	100	0	0
Kungsleden Vegaholding AB, 556919-3047, Stockholm	50,000	100	77	50
Kungsleden Holdmix AB, 556967-3311, Stockholm	500	100	492	-
Kungsleden Kebnekaise AB, 556968-3187, Stockholm	500	100	12	-
Kungsleden Holdmix 2 AB, 556974-4526, Stockholm	500	100	6	-
Kungsleden Grönberget Holding AB, 556990-0805, Stockholm	500	100	0	-
Total			6,748	7,806

1. This refers to the participating interest in equity, which also corresponds to the share of votes for the total number of shares.

NOTE 6 PARTICIPATIONS IN GROUP COMPANIES

SEK m	2014/12/31	2013/12/31
Accumulated cost at beginning of the year	14,130	13,607
Purchases	-	874
Sales	-	-631
Shareholder contributions	875	281
Total	15,005	14,130
Opening impairment losses	-6,324	-5,807
Reversal of impairment losses	430	249
Impairment losses for the year	-2,363	-766
Total	-8,257	-6,324
Carrying amount at year-end	6,748	7,806

Directly owned subsidiaries are listed below. Other Group companies are not presented in the Parent Company's annual report since the information is insignificant in terms of the requirement of giving a true and fair view. However, the other companies are presented in the annual reports for each subsidiary.

NOTE 7 OTHER NON-CURRENT RECEIVABLES

SEK m	2014/12/31	2013/12/31
Receivables at the beginning of the year	2,700	860
Promissory notes for the year	-	9
Promissory notes to Group companies for the year	-	1,831
Paid endowment insurance	1	-
Reclassified as current receivable	-2	-7
Exchange rates	1	9
Amortisation for the year	-223	-
Total	2,477	2,700

NOTE 8 PREPAID EXPENSES AND ACCRUED INCOME

SEK m	2014/12/31	2013/12/31
Prepaid expenses	9	15
Accrued interest income	-	4
Total	9	19

NOTE 10 FINANCIAL ASSETS AND LIABILITIES

SEK m	Receivables from Group companies, etc.		Other financial liabilities		Total Carrying Amount		Fair value	
	2014/12/31	2013/12/31	2014/12/31	2013/12/31	2014/12/31	2013/12/31	2014/12/31	2013/12/31
Other non-current receivables	6	230	-	-	6	230	6	230
Receivables from Group companies	7,131	4,675	-	-	7,131	4,675	7,131	4,675
Other receivables ¹	-	-	-	-	-	-	-	-
Total assets	7,137	4,905	-	-	7,137	4,905	7,137	4,905
Non-current liabilities	-	-	700	2,024	700	2,024	705	2,038
Accounts payable	-	-	3	1	3	1	3	1
Liabilities to Group companies	-	-	7,921	6,110	7,921	6,110	7,921	6,110
Other liabilities ¹	-	-	2,133	1,311	2,133	1,311	2,133	1,313
Total liabilities	-	-	10,757	9,446	10,757	9,446	10,762	9,462

1. The fair value of the Company's interest rate derivatives amount to SEK -1,134 (-708) million.

The Parent Company's derivatives are valued using valuation techniques where the input is observable market data (Level 2). The fair value of these derivatives amount to SEK -1,134 (-708) million.

NOTE 11 MATURITY STRUCTURE FOR LIABILITIES

SEK m	2014/12/31	2013/12/31
Matures for payment within one year	8,947	6,764
Matures for payment between two and five years	700	2,024
Matures for payment in more than five years	-	-
Total	9,647	8,788

Maturity structure for interest-bearing liabilities and operating liabilities, excluding tax liabilities and undervalue of derivatives.

NOTE 12 PREPAID EXPENSES AND ACCRUED INCOME

SEK m	2014/12/31	2013/12/31
Accrued interest expenses	22	34
Accrued employee benefit expenses	2	10
Accrued loan expenses	-	7
Total	24	51

NOTE 9 LOANS AND INTEREST RATE DERIVATIVES

The Parent Company has three (four) bond loans. In addition, there are interest rate derivatives on both its own loans and the other external loans of the Group companies.

There is a bank overdraft for SEK 250 (250) million, which was fully utilised at year-end 2014 and 2013.

Below are the maturity dates for loans and interest rate derivatives.

Maturity date, SEK m	2014/12/31		2013/12/31	
	Bank and bond loans	Interest rate derivatives, nominal amount	Bank and bond loans	Interest rate derivatives, nominal amount
2014	-	-	600	800
2015	999	1,400	999	1,400
2016	700	500	700	500
2017	-	200	-	500
2018	-	700	-	3,650
2019	-	600	-	800
2020	-	800	-	800
2021	-	725	-	400
2022	-	1,900	-	500
Total	1,699	6,825	2,299	9,350

In the consolidated financial statements, Note 24, information is provided on how valuation of financial instruments is done.

NOTE 13 PLEDGED ASSETS AND CONTINGENT LIABILITIES

SEK m	2014/12/31	2013/12/31
Pledged assets for subsidiary loans	-	-
Shares in Group companies	1,237	2,799
Receivables in Group companies	1,831	1,831
Total	3,068	4,629

SEK m	2014/12/31	2013/12/31
CONTINGENT LIABILITIES		
Guarantees on behalf of Group companies	9,975	10,503
Total	9,975	10,503

NOTE 14 SUPPLEMENTARY DISCLOSURES
ON CASH FLOWS

Cash does not include any other items besides cash and bank balances.

Interest etc., SEK m	2014	2013
Dividends received	2,053	746
Interest received	242	148
Interest paid	-292	-309

NOTE 15 TRANSACTIONS WITH RELATED PARTIES

Transactions with subsidiaries, SEK m	2014	2013
Sales of goods/services to related parties	28	39
Purchase of goods/services from related parties	-	-
Other, e.g. interest, dividends	2,139	423

Items in the balance sheet	2014/12/31	2013/12/31
Receivables from Group companies	9,602	7,146
Liabilities to Group companies	-7,921	-6,435

Remuneration to Board members and senior executives for work completed is disclosed in Note 3. There have not been any transactions besides these with any related parties or individuals.

ANNUAL REPORT SIGNATURES

The Board of Directors and CEO hereby declare that the Annual Report has been prepared in accordance with generally accepted accounting principles in Sweden and that the consolidated financial statements have been prepared in accordance with the international accounting standards (IFRS) as required by Regulation (EC) 1606/2002 adopted on 19 July 2002 regarding the application of international accounting standards. The Annual Report and consolidated financial statements provide a true and fair view of the financial position and earnings of the Parent Company and the Group. The Directors' Report for the Group and Parent Company provides a true and fair summary of developments in the Parent Company and Group's business, earnings and financial position as well as describing any significant risks or uncertainties faced by the Parent Company or any of the companies belonging to the Group.

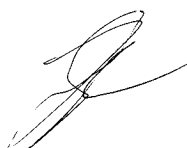
Stockholm, 17 March 2015



Göran Larsson
Chairman



Charlotte Axelsson
Board member



Joachim Gahm
Board member



Liselotte Hjorth
Board member



Lars Holmgren
Board member



Kia Orback Pettersson
Board member



Charlotta Wikström
Board member



Biljana Pehrsson
Managing Director

Our audit report was submitted on 18 March 2015.
KPMG AB



George Pettersson
Authorised Public Accountant

AUDIT REPORT

TO THE ANNUAL GENERAL MEETING OF PREVAS AB (PUBL.) Corp. ID no. 556545-1217

REPORT ON THE ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

We have conducted an audit of the annual report and consolidated financial statements for Kungsleden AB (publ) for the 2014 financial year. The annual report and consolidated financial statements are included in the published version of this document on pages 14–68.

The Board's and CEO's responsibility for the annual report and consolidated financial statements

The Board of Directors and the CEO are responsible for preparing an annual report which give a true and fair view in accordance with the Annual Accounts Act and for preparing consolidated financial statements which give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and the Annual Accounts Act, and for providing the level of internal control that the Board and the CEO deem necessary to prepare an annual report and consolidated financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the annual report and consolidated financial statements based on our audit. We conducted the audit in accordance with International Standards on Auditing and generally accepted auditing practices in Sweden. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the annual report and consolidated financial statements are free of material misstatement.

An audit includes various measures to obtain audit evidence about the amounts and disclosures in the annual report and consolidated financial statements. The auditor selects the actions to be performed, including assessing the risks of material misstatements in the annual report and consolidated financial statements, whether due to fraud or error. When performing this risk assessment, the auditor takes into account the components of the internal controls that are relevant to how the Company prepares its annual report and consolidated financial statements in order to provide a true and fair view. The aim is to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of the accounting policies applied and the reasonableness of estimates used by the Board of Directors and CEO when preparing the financial statements, as well as an evaluation of the overall presentation of the annual report and consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate as a basis for our opinion.

Opinion

In our opinion, the annual report has been prepared in accordance with the Annual Accounts Act and in all material respects, gives a true and fair view of the Parent Company's financial position as at 31 December 2014 and of its financial performance and cash flows for the year in accordance with the Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the Annual Accounts Act and in all material respects, they give a true and fair view of the Group's financial position as at 31 December 2014 and of its financial performance and cash flows for the year in accordance with the International Financial Reporting Standards (IFRS) that have been adopted by the EU and with the Annual Accounts Act. A corporate governance report has been prepared. The Board of Directors' report and corporate governance report are consistent with the other parts of the annual report and the consolidated accounts.

We therefore recommend that the AGM should adopt the income statements and balance sheets for the Parent Company and the income statement and consolidated statement of position for the Group.

REPORT ON OTHER REQUIREMENTS ACCORDING TO LAWS AND OTHER REGULATIONS

In addition to our audit of the annual report and consolidated financial statements, we have also audited the proposed appropriation of the profit or loss and the administration of the Board of Directors and CEO of Kungsleden AB (publ) for the 2014 financial year.

The Board of Directors' and CEO's responsibility

The Board of Directors is responsible for the proposed appropriation of the profit or loss, and the Board of Directors and the CEO are responsible for administering the Company in accordance with the Swedish Companies Act.

AUDITOR'S RESPONSIBILITY

Our responsibility is to, with reasonable assurance, express an opinion on the proposal for appropriation of the profit or loss and the administration of the Company, based on our audit. We conducted our audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board's proposed appropriation of the profit or loss, we examined the Board's opinion and a sample of the evidence supporting its opinion in order to assess whether the proposal complies with the Swedish Companies Act.

As the basis of our statement regarding discharge from liability, besides our audit of the annual report and consolidated financial statements, we examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the possible liability to the Company of any Board member or the CEO. We also examined whether any Board member or the CEO has, in any other way, acted in contravention of the Swedish Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate as a basis for our opinion.

Opinion

We recommend to the AGM that the profit (loss) be dealt with in accordance with the proposal in the Board of Directors' report and that the members of the Board of directors and the CEO be discharged from liability for the financial year.

Stockholm, 18 March 2015
KPMG AB



George Pettersson
Authorised Public Accountant

DEFINITIONS

PROPERTY RELATED KEY RATIOS

Earnings capacity

Earnings capacity shows how earnings would have looked if properties as of the closing date had been owned for the last 12 months. Properties that have been relinquished as of the end of the accounting period are not included and properties accessed by the end of the accounting period are included as if they had been owned for twelve months. The calculation is based on the following other conditions:

- for properties where twelve months have elapsed since the date of access to the property, the figure for the last twelve is included in the calculation.
- for properties where more than six months, but less than twelve months have elapsed since the date of access to the property, the figure included in the calculation is the amount corresponding to twelve months.
- for properties where less than six months have elapsed since the date of access to the property, the figure included in the calculation is the amount corresponding to the acquisition computation.

Yield

Calculation method for earnings capacity
Operating net, excluding property administration, in relation to the book value for properties at the end of the accounting period.

Calculation method for actual amount

Operating net in relation to the average book value of properties. For interim period closings, the yield is recalculated to full-year basis. Average book value of properties is calculated as the sum of opening and closing balances divided by two.

Operating net

Rental revenue less property costs (e.g. operating and maintenance costs, site leasehold fees, property tax and property administration are included).

Operating and maintenance costs, SEK per sq. m.

Operating and maintenance costs divided by the average for leasable space.

Economic occupancy rate

Rental revenue divided by the rental value.

Rental revenue

Rental value less vacancies and rent discounts

Rental value

Billed rents and rent surcharges (such as property tax) plus the assessed market rent for unleased space and rent discounts.

Average rent, SEK per sq. m.

Rental revenue divided by the average leased space.

Leasable area

Unleased space plus leasable vacant space.

Surplus ratio

Operating net divided by rental revenue.

KEY FIGURES, FINANCIAL

Return on equity

Profit (loss) for the period after tax divided by average equity. For interim period closings, the return is recalculated to full-year basis. Average equity is calculated as the sum of opening and closing balances divided by two.

Return on assets

Operating net, profit (loss) on property sales, selling and administration cost and the profit (loss) from Nordic Modular, net after tax, divided by average assets. For interim period closings, the return is recalculated to full-year basis. Average assets is calculated as the sum of opening and closing balances divided by two.

LTV (loan-to-value)

Interest-bearing liabilities divided by the book value of property.

Interest coverage ratio

Profit (loss) for the period plus tax, unrealised changes in value of financial instruments, properties and discontinued operations and profit (loss) from property sales and financial expenses, in relation to financial expenses.

Debt/equity ratio

Interest-bearing liabilities divided by equity.

Equity ratio

Equity including minority interests divided by total assets.

SHARE-RELATED KEY FIGURES

Yield on shares

Decided/proposed dividend/redemption in relation to the share price at the end of the period.

Total return on shares

Sum of the change in the share price during the period or, paid dividend/redemption during the period in relation to the share price at the start of the period.

Decided/proposed dividend per share

The Board's proposed dividend or the dividend amount decided by the AGM per outstanding share.

EPRA NAV

Equity, with derivatives and deferred tax added back, divided by the number of shares at the end of the period.

Profits from property management per share

Profits from property management divided by the average number of shares during the period.

Equity per share

Equity in relation to the number of shares at the end of the period.

Average number of shares

Number of outstanding shares weighted over the year.

Cash flow from operating activities per share

Cash flow from operating activities in relation to the average number of shares.

Profit (loss) for the year per share

Profit (loss) for the year in relation to the average number of shares during the period.

GLOSSARY

Property costs

Costs for electricity, heating, water, property maintenance, cleaning, property administration, insurance and maintenance less charged additions for operations and maintenance.

Financial vacancy level

Assessed market rent for unleased space divided by rental value.

Profits from property management

Operating net/gross profit (loss), selling and administration costs and net financial items.

Average remaining contract length

The remaining contract value divided by annual rent.

Contract value

Rent, in accordance with the rental contract plus indexation and rent surcharges expressed as an annual amount.

Unrealised changes in value

The difference between book value and accumulated cost for properties at year-end, less difference between book value and accumulated cost for properties at the beginning of the year.

Segment

The primary use of properties based on space allocation. The type of space representing the largest share of total space is what determines how the property is defined. A property that has 51 per cent office space is thus defined as office property. The allocation categories are offices, industry/warehouses, commercial, modular buildings and other.

Maintenance

Actions aimed at maintaining the property and its technical systems. This pertains to ongoing and planned actions to replace or renovate parts of the building or technical systems. Tenant improvements are also included here.

INVITATION TO THE AGM

The AGM for Kungsleden AB (publ) will take place on 23 April 2015 at 2 p.m. at Hotel Rival, Mariatorget 3 in Stockholm.

REGISTRATION

Shareholders who would like to participate in the AGM must be registered in their own name in the registry maintained by Euroclear Sweden AB on Friday 17 April 2015, as well as submitting notification of their intention to participate by Friday 17 April 2015

via www.kungsleden.se/arsstamma2015

or to the Company by regular mail:

Kungsleden AB (publ)
Attn: Sinikka Arfwidsson
Box 70414
107 25 Stockholm

When registering, the shareholder must provide name, personal ID/CIN, address, daytime telephone number and any representatives or assistants who will attend.

If participation will be through a representative or substitute, the necessary documents (power of attorney, certificate of registration and other authorisation documents) should be submitted to the Company no later than Friday, 17 April 2015. Note that power of attorney documents must be dated and the original must be submitted. Power of attorney forms are available to download from the Company's website, www.kungsleden.se/arsstamma2015.

Shareholders who have their shares registered with a trustee must, in order to participate in the AGM, request to be temporarily registered in the registry maintained by Euroclear Sweden AB in his or her own name. Such registration must be completed no later than Friday, 17 April 2015, which means that the trustee must be informed well in advance of that date.

DISTRIBUTION OF THE ANNUAL REPORT

A printed version of Kungsleden's annual report is distributed to all new shareholders and other shareholders who specifically request such.

DIVIDENDS

Starting in 2013, Kungsleden implemented a new dividends policy aimed at better reflecting the Company's long-term value creation goals. Over the medium term, once Kungsleden tax situation is fully resolved, the goal is to distribute as dividends up to 50 per cent of profits from property management after tax. Over the next few years however, dividends will be lower and adapted to the Company's liquidity needs.

Based on the dividends policy and the Parent Company's and Group's financial position, the Board proposes dividends of 1.50 (1.25) for the 2014 financial year.

The record date for the dividend is suggested as Monday, 27 April 2015. If the AGM decides in accordance with the proposal, dividends are expected to be paid by Euroclear Sweden AB on Thursday, 30 April 2015.

Closing not completed



EXAMPLES OF PROPERTIES ACQUIRED IN 2014

Färöarna 3



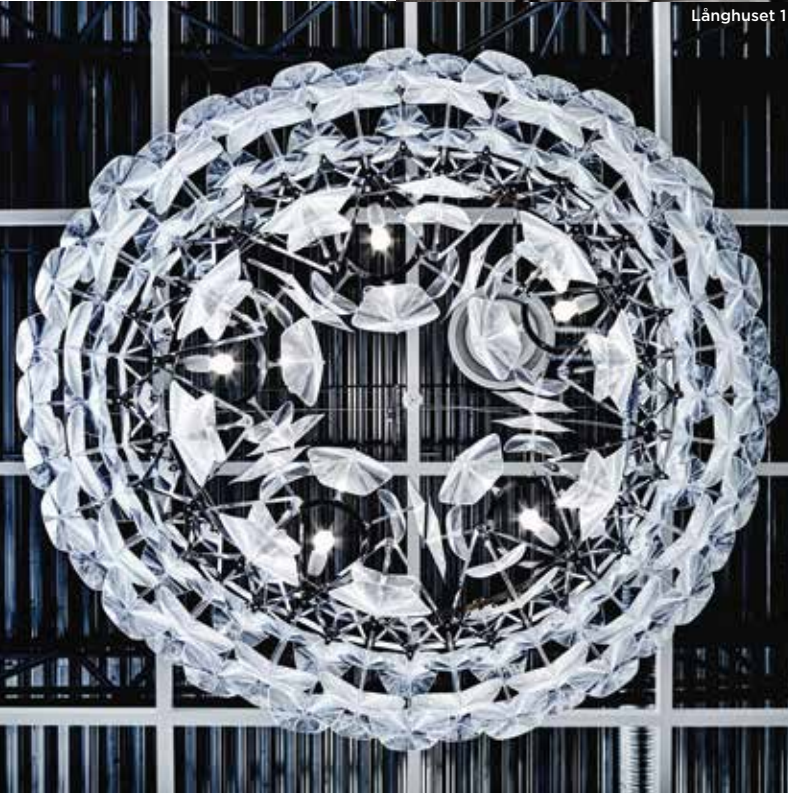
Mässhallen 1



Julius 1



Långhuset 1



Färöarna 3

Mässhallen 1



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REG OFFICE STOCKHOLM

KUNGSLEDEN